

FOR USE IN MINNESOTA

FRANCHISE DISCLOSURE DOCUMENT



**World of Sourdough Franchising, LLC**

a Texas limited liability company  
8700 Auburn Folsom Rd. Suite 700  
Granite Bay, California 95746  
(916) 509-2495

[www.worldofsourdough.com](http://www.worldofsourdough.com)



As a franchisee, you will operate a restaurant that offers a variety of handcrafted sandwiches and other products, under the marks “World of Sourdough,” “WOSD,” “Sourdough &Co.,” “Naturally Better!,” and other related trademarks.

The initial franchise fee is \$49,500.00. The estimated initial investment required (including this initial franchise fee) ranges from \$285,800 to \$568,725. This sum does NOT include any salary or other payments to you or your principals. The estimated initial investment includes the initial franchise fee of \$49,500 and the Area Development Fee of \$150,000 that must be paid to Franchisor or an affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact World of Sourdough Franchising, LLC at the address and phone number listed above.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

**Issuance Date: February 18, 2025**

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will have to be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only WOSD business in the area?</b>	Item 12 and the "territory" provisions in the franchise agreement describes whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a WOSD franchisee?</b>	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	The questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure documents to better understand this franchise opportunity. See the table of contents.

## What You Need to Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord and other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state may also have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the Specific State Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About This Franchise

Certain states require the following risk(s) be highlighted.

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in California. Out- of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement of disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

WORLD OF SOURDOUGH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

In this disclosure document, “Franchisor,” “we,” “us,” or “our” means World of Sourdough Franchising, LLC, the franchisor. “Franchisee,” “you” or “your” means the person who buys a WOSD franchised business. The franchisee may be an individual, corporation, partnership, or limited liability company. If you are an individual, you may assign all of your rights and interests in the Franchise Agreement to a legal business entity, upon certain conditions.

If you are a corporation, “you” does not include your principals. If you are a limited partnership, “you” includes your general partner(s) but does not include your limited partners. If you are a limited liability company, “you” does not include your members.

**The Franchisor**

We are a Texas limited liability company, incorporated on March 18, 2021, known as “World of Sourdough Franchising, LLC.” We first began offering franchises in 2021.

We do business under our company name and under the name “World of Sourdough” and “WOSD.” We maintain our principal business address at 8700 Auburn Folsom Rd., Suite 700, Granite Bay, California 95746. We do not do business under any other name. Our telephone number is (800) 659-0130. Our agents for service of process are disclosed in Exhibit (A).

We grant a franchise for the right to establish and operate a restaurant that offers a variety of handcrafted sandwiches and other products, under Proprietary Marks and certain of the other intellectual property contained herein.

We have never engaged in any other business activity nor offered franchises in any other lines of business. We have never conducted a business of the type to be operated by franchisee.

**Parent/Predecessor**

We have no parent. We have no predecessors during the ten (10) year period immediately before the close of the franchisor’s most recent fiscal year.

**Franchisor’s Affiliates**

We have no parent. There are two operating businesses that offer similar products and services to World of Sourdough, which are operated by our affiliates described below. The following is a list of our affiliates including principal addresses and number of locations for each.

Our affiliate, Food Professionals, Inc., is a California corporation that was formed on October 21, 2022 (“FPI”). FPI’s physical address is 4761 Waterstone Dr., Roseville, CA 95747 and it operates one WOSD franchise located at 4390 Town Center Blvd #140, El Dorado Hills, CA 95762, which began operations on May 9, 2022. FPI’s location serves as a flagship location and also provides services to our franchisees including training and/or research and development. We are independent entities, and FPI does not assume any of our legal or other obligations, nor us of theirs. FPI does not offer franchises. Our principals, Jatinder (Nick) Singh, and Songye Qin each have a 50% ownership interest in FPI.

Our affiliate, R & S Foods, Inc. (“RSF”), is a California corporation that was formed on July 12, 2022. RSF’s physical address is 4761 Waterstone Dr., Roseville, CA 95747 and it operates one WOSD franchise located at 381 Green Valley Rd, El Dorado Hills, CA 95762, which began operations on May 9, 2022. RSF may provide franchisees with research and development and/or training assistance and serves as a flagship location for us. We and RSF are independent entities, and RSF does not assume any of our legal or other obligations, nor us of theirs. Our principals, Jatinder (Nick) Singh and Songye Qin, each have a 50% ownership interest in RSF. RSF does not offer franchises.

### Description of the Franchised Business

The Franchise Agreement. Under our franchise agreement (“Franchise Agreement”) (included as Exhibit B to this Disclosure Document), you will have the right to establish and operate a sandwich restaurant at a specified geographic location using our Proprietary Marks and Systems described below (the “Franchised Restaurant” or “Franchised Business” or “WOSD Franchised Restaurant”). You will operate the Franchised Business using a unique and distinctive business format (the “System”) as we specify in the Franchise Agreement, our operating manual(s) (the “Operating Manual” “or “Manual”) and other instructions or materials we provide you (sometimes, the “Written Standards”).

We also offer to qualified entities the right to develop multiple WOSD Franchised Restaurants within a designated territory (“Development Territory”) under the terms of the Area Development Agreement (Exhibit 11). The Area Development Agreement will specify the number of WOSD Franchised Restaurants you will develop over a specified period (the “Development Schedule”). You may develop the WOSD Franchised Restaurants in the Development Territory. You will sign our then current form of Franchise Agreement for each WOSD Franchised Restaurant developed in the Development Territory, which currently is the form of Franchise Agreement in this disclosure document but could in the future differ from that form. However, if you fully comply with the Area Development Agreement, each Franchise Agreement that the Area Development Agreement covers will reflect the franchise fee specified in Item 5.

The System includes eat-in and carry-out dining services at retail locations displaying our interior and exterior trade dress. You will offer a menu of handcrafted sandwiches and other food items approved by us. WOSD Franchised Restaurants are operated using our proprietary and/or branded products, recipes, formulae, and techniques (“Proprietary Products”), as well as a variety of non-proprietary and/or non-branded food, non-alcoholic beverages, and other items that we designate from time to time (collectively such non-proprietary and Proprietary Products shall be referred to as “Products”). All menu items offered for sale at a WOSD Franchised Restaurant are subject to our approval.

### Market and Competition

The restaurant industry – including sandwich restaurants – is developed and intensely competitive. You will serve the general public and will compete with other restaurants and businesses offering similar food and dining. The other businesses and restaurants compete on the basis of factors such as price, service, location, and food quality. These businesses and restaurants are often affected by other factors as well, such as changes in consumer tastes, economic conditions, population, and travel patterns. Depending on your actual locations, you may experience seasonal changes.

Your competitors may include national, regional, or local restaurants and bars, some of which may be

franchised. Your competitors may include other WOSD businesses, including those owned by us, our affiliates, or our other franchisees.

### Industry-Specific Laws and Regulations.

The products and services you sell may be subject to local, county and state regulation. By way of example only, many state and local laws/regulations/ordinances require food service permits for the handling of food. You and your employees may need to pass a test to obtain such permits. There may be laws governing food storage, preparation and service, and inspections relating to these laws. There may be laws requiring washrooms and other facilities for customers and employees, and access laws related to disabled patrons and employees. You may also need a business license, and possibly other licenses or permits, from your local or state government to operate your business. You should consult with your own legal counsel to determine the applicability of these and other laws and regulations to the operation of your Franchised Restaurant.

It is important that you comply with all laws and regulations in this area and that you become educated regarding retail services and requirements. Some of these laws and regulations may require special certification, licensing, and registrations before you can begin providing services.

Among other licenses and permits your may need are: Zoning or Land Use Approvals, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Food Handler's Permit, Alarm Permits, County Occupational permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules or regulations which may affect your Franchised Business, including, point-of-sale disclosure regarding nutrition and dietary characteristics (e.g., calories, fat-content, etc.) of the food served at your Franchised Business, laws concerning the protection of customer's credit card numbers and financial data, minimum wage, and labor laws along with the ADA, OSHA, and EPA considerations.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect stores to ensure that they comply with these laws and regulations.

The federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some state and local governments have also adopted, or are considering proposals, that would regulate indoor air quality, including the limitation of smoking tobacco products in public places such as restaurants.

We are not obligated to provide you with guidance about these laws and regulations and you are solely responsible for knowing about and complying with all laws and regulations applicable to your Franchised Restaurant. We recommend that you consult with your attorney for an understanding of these laws.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA Patriot Act"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the

Patriot Act and related regulations at: <http://www.treasury.gov/offices/enforcement/ofac/sdn>.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **President: Jatinder (“Nick”) Singh**

Jatinder (“Nick”) Singh is our President and one of our managers. He is also one of our owners/members. He has held these positions and been an owner since we were first formed on March 18, 2021, located in Granite Bay, California. From 2018 to 2021, Nick was the President and Manager, and owner, of Trademark Pizza Company, LLC in Roseville, California. From 2009 to the present, he has worked as a retailer and developer in gas stations in California.

### **Vice President & Secretary: Songye Qin**

Songye Qin is our Vice-President, Secretary, Co-Manager, and Member since our formation on March 18, 2021, located in Granite Bay, California. She is also one of our owners/members. From November 2015 to February 2021, Songye worked as a supervisor at Capital Restaurant Services located in Sacramento, California.

### **Independent Consultant for Operations: Lowell Steven (“Steve”) Presson**

Steve Presson has been an independent consultant for WOSD assisting with business operations since January 2, 2024, located in Granite Bay, California. From 2016 to December 2023, Steve was President of Sourdough & Co. based in El Dorado Hills, California.

## **ITEM 3** **LITIGATION**

GSD Foods, Inc., Davinder Singh, an individual, Powerglide Holdings, LLC, Kaldeep Uppal, an individual; SD-Folsom, Inc. (“Plaintiffs”) v. Sourdough & Co., Inc., SFSE of EDH, Inc., Lowell Steven Presson, an individual, R. Gordon Ross, an Individual, David Bagley, an individual (together, the “**Original Defendants**”), and World of Sourdough Franchising, LLC, Jatinder Singh, an individual, and Songye Qin Presson, an individual (Case No. 34-2020-0027829B).

On March 9, 2020, the Plaintiffs filed an initial complaint in California, County of Sacramento against the Original Defendants asserting claims against the Original Defendants for violations of the California Franchise Investment Law – Sale of unregistered franchises, violation of Cartwright Act, unfair business practices, accounting, unlawful product typing, fraud, breach of implied covenant of good faith a fair dealing, civil RICO and (fraud, conspiracy).

Thereafter, on June 14, 2023, the Plaintiffs (former franchisees of Sourdough & Co.) filed an amended complaint seeking to bring us and our principals in the Lawsuit for secondary liability under the theory of single enterprise, for the claims of violations by Sourdough & Co. against its former franchisees. The state court amended complaint filed in California, County of Sacramento, asserted claims against Sourdough & Co. for

violations of the California Franchise Investment Law – Sale of unregistered franchises, unfair business practices, accounting, unlawful product typing, fraud, breach of implied covenant of good faith a fair dealing, civil RICO (fraud, conspiracy), declaratory relief – Sourdough Corporation’s license agreements constitute franchises, scheme to sell vital products at inflated prices, and asserted secondary liability for such claims against us and our principals based on personal relationships between Sourdough & Co. and us. The Plaintiffs sought compensatory damages for the defendants jointly and severally for \$900,000, injunctive and declaratory relief. The parties settled all claims and entered into a confidential settlement agreement with us settling all claims for \$240,000 to be paid in installments. The parties also exchanged mutual releases. The complaint will be dismissed with prejudice upon the final payment of the settlement amount. Plaintiff’s Request for Dismissal of all claims was filed on June 21, 2024.

S.L. Presson Inc. (“Plaintiff”) vs. Lowell Steven Presson filed in the Superior Court of the State of California, County of Sacramento (Case No. 34-2020-002818171). Plaintiff asserted claims of breach of contract, intentional interference with contractual relations, tortious interference with prospective economic advantage, unfair business practices, trade libel, fraud, conversion, breach of fiduciary duty, and sought declaratory relief as to consulting agreement and stock purchase agreement, Rescission of Stock consulting agreement based on fraud and/or failure of consideration. The complaint was filed on July 16, 2020. There is a hearing to dismiss in March 2025. The parties expect a dismissal with prejudice.

KULWANT SINGH, an individual; JOGINDER DULAI, an individual (“Plaintiffs”) v. S.L. PRESSON, INC., a California corporation; PRAB GROUP, a California corporation; STEVE PRESSON, an individual; and DOES 1 through 10, inclusive (“Presson”). Plaintiffs filed the complaint on November 27, 2019, in Superior Court of the State of California, County of Sacramento (CASE NO. 34-2020-00278230) asserting claims of Failure to Register Franchise (Corp. Code §§31300, 31110); Violation of Business & Professions Code section 17200; Intentional Misrepresentation; Negligent Misrepresentation; and Declaratory Relief. Presson filed a cross complaint on 9/18/2020 asserting fraud and deceit. There is a settlement hearing in May 2025, and a trial date set in July 2025.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcies are required to be disclosed in this disclosure document.

**ITEM 5**  
**INITIAL FEES**

You must pay us a \$49,500 initial franchise fee when you sign your Franchise Agreement. If you are signing a Franchise Agreement that is not covered by an Area Development Agreement, then you must pay us a \$49,500 initial franchise fee when you sign that Franchise Agreement.

At the time you sign your Franchise Agreement and anytime thereafter, that you are in good standing under your Franchise Agreement, you may purchase additional WOSD Franchised Restaurants in accordance with the initial franchise fee schedule outlined in the chart below. To qualify, you must meet the following minimum conditions (a) you must satisfy our then current qualifications and training requirements, (b) not be in default of the Franchise Agreement, and (c) you must execute our then-current franchise agreement. All such initial franchise fees are referred to as the “Initial Franchise Fee.”

### Initial Franchise Fee Schedule

Franchised Unit	Base Fees
First Franchised Unit	\$49,500
Second Franchised Unit	\$40,000
Third Franchised Unit	\$35,000
Fourth Franchised Unit	\$30,000
Fifth Franchised Unit	\$30,000
Sixth Franchised Unit	\$30,000
Seventh Franchised Unit	\$30,000
Eighth Franchised Unit	\$30,000
Ninth Franchised Unit	\$30,000
Tenth Franchised Unit	\$30,000

The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement is signed, is non-refundable and is deemed fully earned upon the opening of the Franchised Business for the deliverables described above and as provided in the Franchise Agreement. In certain states, as required by state authorities based on a review of our financial statements, we may defer our receipt of the Initial Franchise Fee and all other initial payments or deposit them into escrow until we have met our initial obligations to you (see state addenda in Exhibit D).

#### **Area Development Agreement**

You may also purchase the rights to open multiple World of Sourdough franchises, in which case you will sign an Area Development Agreement, which is attached to this Disclosure Document as Exhibit 11 to the Franchise Agreement. If you sign an Area Development Agreement, you must develop at least ten (10) World of Sourdough Restaurants in the Development Territory. You must pay us a development fee when you sign the Area Development Agreement. The development fee is multiplied by the number of World of Sourdough Restaurants you agree to develop on the Development Schedule. The Development Fee is consideration for our signing the Area Development Agreement and not consideration for any Franchise Agreement, is based on a uniform calculation and is not refundable (the “Development Fee”).

We may permit you to develop fewer than (5) World of Sourdough Restaurants in certain markets that we periodically designate.

If you are signing a Franchise Agreement that is covered by an Area Development Agreement, and each Franchise Agreement will have one 10-year term with two (5)-year renewal options, then the initial franchise fee under each Franchise Agreement will be in accordance with the fee schedule set forth in the Area Development Agreement. When you sign each Franchise Agreement, we will apply \$15,000 of the development fee towards the applicable initial franchise fee, and you must pay us the remaining balance of the applicable initial franchise fee.

The protected area for a Franchised Business is determined once a specific location is identified and approved by us. The Initial Franchise Fee includes the development of a custom local affiliate website for

your Franchise housed within our national website that will include online ordering functionality for your customers.

**ITEM 6**  
**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	5% of Gross Revenues. Weekly starting immediately once your Business is open for operation.	Weekly every Sunday	See Note 1.
System Advertising Fee	Currently none.	If and when we provide you with reporting software, System Advertising Fee payments will be due weekly.	See Note 2. We may increase this fee upon 90 days' written notice to you. However, your total contribution will not exceed 3% of Gross Revenue per month, in any calendar year. See Note 2 and Item 11.
Local Advertising Fee	Currently 1%, but up to 3% of Gross Revenues starting immediately once your Business is open for operation once implemented	Monthly. Spent by you to promote your Business locally	See Item 11
Website, Edits, Updates, Changes, Maintenance and Promotion Fee	Currently, there is no fee	On demand, if applicable.	Payable to Us, our Affiliates, or our approved vendors. See Note 3.

<p>Software Fee; POS Technology; and Software Fees for Ongoing Support</p>	<p>Currently \$184 per month for POS system and online functionality software usage and ongoing support necessary for the operation of your Business. Currently, \$100 per month for the Loyalty and Ordering App</p>	<p>Monthly</p>	<p>Payable to Us, our Affiliates, or approved vendors. See Note 4.</p>
<p>Interest and Late Payment Charge</p>	<p>\$100 on each Royalty or Advertising Fee payment not received within 5 days of due date.  Interest at 18% per annum for any payment not received within 30 days of due date, or the maximum rate allowed by law, provided the interest rate cannot exceed the maximum legal rate. The highest interest rate in California is 10%.</p>	<p>After due date of fees.</p>	<p>See Note 5</p>

Audit Expenses	Cost of audit plus interest @ 18% per annum (1.5% per month) up to the maximum interest rate allowed by law. The highest interest rate in California is 10% per annum.	Ten days after receipt of Audit report.	Payable only if audit shows understatement of 3% or more of Gross Revenues for any reporting period. We expect the cost to be between \$3,000 and \$5,000 unless your financial records are not well kept.
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Curable Violation Fee	\$200 per violation of any curable term of default (under the Franchise Agreement) and/or and material violation of any operating procedure (as described in writing to all franchisees or otherwise provided to you in writing).	On demand.	Payable to Us; as incurred.
Additional Training	Then-current fee, (as described in writing to all franchisees or otherwise provided to you in writing). Up to \$200 per person per day or costs of third-party charges. You are responsible for all room, board, and travel expenses.	At time training is scheduled and/or additional assistance is requested by you.	While the Initial Franchise Fee includes the cost of our initial training program, the Initial Franchise Fee only covers training for up to two individuals. See Item 11. You must pay for all additional training required by us.  Additionally, this fee is applicable to the transferee upon an approved transfer of the Franchise for the initial training program and additional training.

Transfer Fee	A flat fee of \$10,000 when you transfer a part (less than 49% of all the assets) of the Business or when you transfer all of the Business (more than 49%). If transferee came from our lead database, you may be required to pay the then-current referral fee to us plus any costs associated with applicable broker fees.	At the time the transferee signs the Franchise Agreement in effect for transfer or sale.	Payable to us when the Franchise Agreement is signed or a material portion of the assets in the business is transferred. See Note 6.
Renewal Fee	\$10,000	Upon execution of the renewal of the Franchise Agreement.	See Note 7. For the same protected area.

Site Evaluation Fee	At your request, Franchisor will provide on-site site-evaluations for two (2) of your proposed locations at no additional fee. However, you may be required to reimburse us our reasonable expenses associated with our trip(s).	On demand.	See Note 8.
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Hold Harmless, Indemnification, and Defense	Will vary under circumstances	As incurred.	You must reimburse us for claims and liabilities relating to your business or breach of the Franchise Agreement or Area Development See Note 9.
Collection Costs, Attorneys' Fees, Mediation Fees, and Arbitration Fees	Costs of collection, attorneys' fees, mediation fees and arbitration fees	As incurred.	Payable as incurred by us in obtaining injunctive relief or the enforcement of any item of the Franchise Agreement. See Note 10.
Refresher Training and/or Continuing Education	Will vary under circumstances. Refresher or continuing education is estimated not to exceed \$200 per person per day plus your travel expenses or our expenses if we come to your location.	As incurred.	The location for refresher training and/or continuing education will be at our headquarters although we reserve the right to provide them over the Internet or over the phone.

Except as stated above, you pay all fees to us and they are uniformly imposed. All fees are non-refundable.

**Note 1:** The term "Gross Revenues" is defined in the Franchise Agreement to mean all sales and other income (recognized on an accrual basis), whether cash or credit (regardless of collection in the case of credit), less (i) refunds and discounts made to customers in good faith and in accordance with Franchisor's policies, and (ii) sales or excise taxes which are separately stated and which Franchisee may be required to and does collect from clients and pays to any federal, state, or local taxing authority.

The royalty obligation begins immediately once your Franchised Business is open for operation then continues for the term of your Franchise. Your Business is deemed open for operation either immediately when you start accepting orders or once your facility is open for operation (whichever comes first). The royalty is due and payable weekly and is to be received how we specify. The royalty rate is 5% of your Gross Revenues per week for the entire term of your Franchise Agreement. If your Franchise Agreement is terminated, you may be required to continue royalty payments for the remainder of the term of your Franchise Agreement.

Royalty fees shall be payable only to us and collected by us through electronic transfer with direct deposit to us from your account. Under our current automatic debit program, you must make required funds available for withdrawal by electronic transfer before the due date. See the Direct Deposit Agreement attached as Exhibit 4 of the Franchise Agreement. We reserve the right to change the time and manner of

payment upon written notice to you. All royalty fees are uniformly imposed. All royalty fees are non-refundable, collected by us and payable only to us.

**Note 2 – System Advertising Fee:** If we implement the System Advertising Fee in the future, you will pay us a System Advertising Fee contribution equal to 1% of your weekly Gross Revenues as defined in the Franchise Agreement. The System Advertising Fee is imposed by us and collected by us and all System Advertising Fees are non-refundable. The System Advertising Fee begins immediately once your Business is open for operation and is due weekly and continues for the term of your Franchise. We may raise, discontinue, or reduce the contribution, but your total weekly contribution will not exceed 3% of your Gross Revenues in any calendar year. Gross Revenue is defined in the Franchise Agreement and in Note 1 above. You pay the System Advertising Fee contribution at the same time and under the same terms as the royalty described above. System Advertising Fees are uniformly imposed on all franchisees.

We will place the System Advertising contributions in a separate bank account. We may use this fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development, administration (including our salaries, accounting, collection, legal, and other costs), related expenses, and any media costs (including any media production costs). We make the expenditures at our discretion. We do not represent that any particular level of expenditure will be made for particular programs or to benefit particular franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. We have no fiduciary duty to you regarding any System Advertising Fees. All System Advertising Fees are collected only by us and payable only to us.

**Note 3 – Website Fee:** Franchisee shall pay to Franchisor any fee imposed by Franchisor, or Franchisee's *pro rata* share of any fee imposed by a third-party service provider, as applicable in connection with hosting any Website established and/or maintained by Franchisor.

**Note 4 – Software Fee:** Franchisor has not yet developed any Software for use by its franchisees. (See Item 11) However, in the event that Franchisor does develop such Software, Franchisee shall be required to pay a license fee to Franchisor, in an amount determined by Franchisor.

You are required to use specific point of sale (“POS” or “POS system”) technology and software that has online ordering functionality for the operation of your Business. We will provide you with a website that has online ordering functionality already setup during our initial training program which will integrate with your POS system. The POS technology and software for online ordering functionality is specific to the food service industry that tracks the sale of all products, produces reports and online ordering software that allows your customers to place and pay for their customized order through your website which is immediately sent to your POS system alerting you to prepare and have the order ready for pick up at a pre-determined time. The POS technology and software fee is for online ordering functionality usage, updating and ongoing support, which is currently \$185.00 per month for an unlimited number of users at your Business. POS technology and related software fees are payable to us, our affiliates, or approved vendors.

It is your responsibility to install and upgrade the POS system, computers, networking, applications and

software necessary to benefit from using the online ordering functionality for your Business. You will have sole authority and control over the use of the online ordering functionality and software, day-to-day operations of the Business and your employees. At no time will your employees be deemed to be employees of ours. POS technology and software fees are non-refundable, and we may change the technology requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new POS technology requirements and fees at your own expense. POS technology and software fees may be changed in response to any increase in the United States Consumer Price Index, if additional features are offered; or if the manufacturers of such POS technology and/or software believe that conditions in the overall economy or in the market for such services warrant any change in fees. POS technology and software fees are non-refundable and are uniformly imposed and collected only by us, our affiliates, or our approved vendors.

In addition, you are required to purchase and use the App and Loyalty Program from our approved vendor, Heartland Loyalty Powered by Como. The fee is \$100 per month. This fee is non-refundable and is uniformly imposed and collected only by us, our affiliates, or our approved vendors.

**Note 5 – Interest and Late Charges.** Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments, provided no interest shall be charged in excess of the maximum rate allowed by law. The highest interest rate in California is 10% per annum. All interest and late charges are payable only to us. Interest and late charges are uniformly imposed. Interest and late charges are non-refundable.

**Note 6 – Transfer Fee:** Either Franchisee or the transferee franchisee shall pay to Franchisor the required transfer fee, to cover Franchisor's legal and administrative and other expenses in connection with any transfer of any interest in Franchisee, the Franchise Agreement, or the Franchised Location. However, no transfer fee will be required in the case of a transfer (i) of any interest in the Franchise to Franchisee's spouse; (ii) of less than 20% of the ownership interest if you are a corporation, partnership, or limited liability company, and (iii) of the entire franchise to any entity, solely for the convenience of ownership. If you sign the Area Development Agreement, the assignment terms and conditions of the Franchise Agreements will apply to any Transfer payable under the Franchise Agreements that the Area Development Agreement covers.

**Note 7 – Renewal:** If you renew the Franchise Agreement at the expiration of the original term or a subsequent renewal term, you must pay us the required renewal fee.

**Note 8 – Site Evaluation Fee:** The reasonable expenses associated with our trip(s) include the costs of travel, lodging, and meals by our representatives to travel to your proposed location. If Franchisee requests additional on-site evaluations, you will be required to submit our then-standard fee for the evaluation, and reimburse us for our costs of travel, as described above.

**Note 9 – Hold Harmless and Indemnification:** Under the Franchise Agreement and the Area Development Agreement, you will be required to indemnify, hold harmless and defend Franchisor against and from all fines, proceedings, claims, demands or actions of any kind or nature and from anyone whomsoever arising out of or otherwise connected with Franchisee's operation of the Franchised Location (excluding, however, liabilities caused by Franchisor's gross negligence or intentional misconduct).

**Note 10 – Mediation Fees, Attorneys’ Fees, Arbitration Fees, and Collection Costs:** Prior to bringing any claim against Franchisor, you must first try to settle the dispute by mediation, and both parties will bear their own costs and expenses in such mediation. In the event that any arbitration or judicial proceeding is filed by either you or us, the prevailing party shall be entitled to recover its attorneys’ fees, court/arbitration costs, and collection.

**ITEM 7**  
**YOUR ESTIMATED INITIAL INVESTMENT**

The following charts provide estimates for your WOSD Franchised Restaurant. All costs listed herein are estimates only. Actual costs will vary for each franchisee and each location or Franchised Restaurant, depending on a number of factors. We cannot and do not guarantee that your costs will fall within the stated ranges. The stated estimated ranges are based upon the prior experience and industry research of our President Jatinder (“Nick”) Singh (whose biographical information is contained in Item 2 of this Disclosure Document). All fees and payments are non-refundable, unless otherwise stated.

<b>Type of Expenditure</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payments are to be Made</b>
Initial Franchise Fee	\$49,500	\$49,500	The Initial Franchise Fee is \$49,500 for a defined territory which includes training and a web page. The Initial Franchise Fee is non-refundable.	At signing of the Franchise Agreement or Area Development Agreement	Franchisor See Item 5
Technology	\$7,000	\$15,500	As incurred; for POS system, computer or laptop, tablet, software, modem, routers, flat screen televisions, sound system, camera surveillance system and telephones.	Before Opening	Payable to us, our affiliates, or approved vendors.
Kitchen, Equipment, Furniture and Fixtures	\$50,000	\$95,000	As incurred; actual costs will vary based on the size of your facility. Estimated expenses are for all furniture and fixtures necessary for the operation of your Business.	Before opening	Payable to our approved vendors. See Note 1.

Real Estate	\$5,000	\$12,000	As incurred; estimated expenses for your business location.	Before Opening	Landlord See Note 2
Leasehold Improvements	\$125,000	\$300,000	As incurred; the costs to construct interior alterations, improvements, lighting and decorating the facility will depend on the extent of the renovations needed to convert space into separate areas and any allowance you negotiate with the landlord for construction.	Before Opening	Landlord See Note 3.
Utilities	\$1,500	\$4,000	As incurred; the cost of the deposit will vary due to policies of local utilities and is an estimate.	Before Opening	Local Utility Suppliers See Note 4.
Signage	\$5,000	\$15,000	Lump sum; estimated cost for the delivery and installation of interior and exterior signage including window graphics. We specify and provide you with signage guidelines in the Operating Manual. Signage expenses are not refundable.	Before Opening	Approved Vendors See Note 5.
Architectural Drawings	\$4,000	\$15,000	As Incurred	Before Opening	Architect
Start Up Inventory	\$8,650	\$12,200	Lump sum; estimates for a startup inventory of products and supplies necessary for your first month of operation.	Before Opening	Payable to us, our affiliates, or approved vendors See Note 6.
Grand Opening	\$7,500	\$10,000	As Incurred	Before Opening	Payable to our approved vendors. See Note 7.

Equipment Decor	\$3,500	\$5,000	As incurred; actual costs will vary based on the size of your facility. Estimated expenses are for all décor/equipment necessary for the operation of your Business.	Before Opening	Payable to our approved vendors. See Note 8.
Staffing	\$6,500	\$11,600	As Incurred	Over the course of your first month of operation	Salaries and Expenses
Uniforms	\$750	\$1000	Lump sum; this is an estimate for a minimum inventory of 20 logoed shirts. Costs will vary depending on the number of employees you hire.	Before Opening	Payable to us, our affiliates, or approved vendors
Insurance	\$1,200	\$2,025	As incurred; before commencing operations of your Business and as required by the insurance company. Estimate excludes workers' compensation insurance.	Spent over the course of twelve months	Payable to third parties; See Note 9.
Travel, Lodging and Meals for Initial Training Program	\$1,200	\$2,400	As incurred; training held at corporate headquarters. You are responsible for all costs associated with attending such as travel, room, and board. Estimate provided are costs for one person. Additional training is available at your request for which an additional training fee of up to \$200 per person per day may be required.	As Incurred	See Item 10
Licenses, Permits, Certifications and Other Professional Fees	\$1,500	\$3,500	As incurred; licenses, permits and certifications required to operate your Business and any professional legal and accounting fees incurred.	Before Opening	Appropriate licensing authorities and Third Parties. See Note 10.
Operating Expenses and Additional Funds	\$8,000	\$15,000	As incurred; additional funds necessary for startup of your Business which includes working capital.	Spent over the course of first three months	See Note 11.

<b>Total</b>	<b>\$285,800</b>	<b>\$568,725</b>			
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**AREA DEVELOPMENT AGREEMENT  
(FOR 10 WOSD FRANCHISED RESTAURANTS)**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Investment 1 <sup>st</sup> WOSD Franchised Restaurant	\$49,500 to \$49,500	See Above	When you sign your Franchise Agreement	See Above
Investment Range for 1 <sup>st</sup> to 3 <sup>rd</sup> WOSD Franchised Restaurant	\$49,500 - \$124,500	See Above	When you sign your Franchise Agreement	See Above
Investment Range for 1 <sup>st</sup> to 10 <sup>th</sup> WOSD Franchised Restaurant	\$49,500 - \$334,500			
Development Fee (for minimum of ten (10) WOSD Franchised Restaurants.	\$150,000 - \$150,000 (\$15,000 for each additional WOSD Franchised Restaurant)	As Arranged	When you sign your Area Development Agreement	Us
<b>Total</b>	<b>\$ 199,500- \$484,500</b>			

**ESTIMATED INITIAL INVESTMENT FOR AREA DEVELOPMENT AGREEMENT.**

If you sign an Area Development Agreement, your initial investment for your first WOSD Franchised Restaurant is the same as disclosed in the Item 7 table. You also may pay a one-time Development Fee as described in Item 5, which is \$15,000 per unit, or \$150,000 (for an Area Development Agreement for a minimum of ten (10) WOSD Franchised Restaurants). The Development Fee will be an additional \$15,000 for each additional Restaurant you agree to develop under the Area Development Agreement over and above the minimum of ten (10) WOSD Restaurants. This is the only additional initial investment required under the Area Development Agreement. There is no additional initial investment for training, real property, equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, decorating costs, inventory, security deposits, utility deposits, business licenses or other prepaid expenses required under the Area Development Agreement. Your initial investment for your second and subsequent WOSD Franchised

Restaurant likely will be higher than the estimates listed in the table for your first Restaurant due to inflation and other economic factors that may vary over time.

**Note 1 – Equipment, Furniture and Fixtures:** This amount includes estimated costs associated with a computer, printer, computer software, furniture, furnishings, telephones, other office equipment and fixtures, stationery and other paper, and other similar office equipment and supplies.

**Note 2 – Real Estate Lease:** If you do not own or purchase a location for your WOSD Franchised Restaurant, you must lease the appropriate commercial space. Typical locations are strip centers or other retail and commercial areas near office and/or residential areas. We anticipate that you will need total retail/store space of between 1250 and 1,500 square feet. The monthly rental for leased premises varies depending upon various factors including location, the type of structure, and the then-current local real estate market conditions. You should obtain estimates of rental costs by contacting local commercial realtors before you sign the Franchise Agreement. The leasehold deposit reflected in the chart estimates a one-month security deposit. Franchisor estimates that rentals will range between \$5,000 per month (i.e., a rental rate of \$48/square-foot/year for 1250 square feet of retail space) and \$12,000 per month (i.e., a rental rate of \$96/square-foot/year for 1500 square feet of retail space). In addition, some landlords may require additional security deposits or rental payments upon execution of a lease. The estimated security deposit is based upon one month's rent.

**Note 3 – Leasehold Improvements – Store Construction / Build-Out:** Once you purchase or rent the real estate and/or building for your Franchised Restaurant, you will need to construct the building and/or modify the building to comply with the physical standards for a WOSD Franchised Restaurant. The amount you are required to spend on this construction and/or build-out will vary depending on various factors including, the initial condition/state of your owned/leased structure/premises and then-current market rates for construction labor and materials. You should obtain your own estimates of such cost by contacting local commercial realtors and general commercial contractors in your area before you sign the Franchise Agreement. The figure in the chart reflects an estimate for build-out construction of between \$125,000 (i.e., a build-out cost of \$100/foot for 1250 square feet of retail space) and \$300,000 (i.e., a build-out cost of \$200/foot for 1500 square feet of retail space). As part of our standard obligations under the Franchise Agreement, we do not provide any assistance with or oversight of any contractor you may hire, including any general contractor you may engage for the build-out of your WOSD Franchised Restaurant.

**Note 4 – Utilities:** Utilities may be included in your lease. In that case, you will not need to pay any security which are separately associated with utilities. Otherwise, you may need to pay a deposit to your utility provider(s).

**Note 5 – Signs:** This amount includes signs for your store location.

**Note 6 – Initial Inventory:** This range reflects the cost of purchasing an initial inventory of goods and products. Payments for this inventory are made to suppliers, of which we or our affiliate(s) may be one. The time and method of payment is determined by the contract between you and the supplier.

**Note 7 – Grand Opening:** Under the Franchise Agreement, you are required to expend at least \$7,500 on grand opening marketing expenses. You may decide, based on your market conditions, that spending more than \$7,500 on grand opening advertising is necessary to produce an effective grand opening. All such

Grand opening marketing must be conducted during the period beginning 10 days before the opening of your Franchised Store and ending 10 days after such opening date (the “Grand Opening Period”). We must approve all Grand Opening marketing materials prior to use.

**Note 8 – Equipment -- Store:** This range reflects the cost of purchasing basic equipment necessary to outfit the kitchen and seating areas of your Franchised Restaurant, including decoration. If you elect to finance or lease these items, you will incur a monthly lease expense in lieu of the expenses for purchase described in this chart. Such expense could vary, depending upon the type of lease or length of financing.

**Note 9 – Insurance Premium (for 3 months):** You may be required to pay your entire annual insurance premium initially, or your insurance provider may allow you to pay it over a period of months and/or require a down payment. The figures in this chart represent an annual expense of \$3,000 to \$5,000, with a down payment of 15%, and the remainder paid over 10 months. You are obligated under the Franchise Agreement to obtain and maintain the following types of insurance: All-Risk Insurance on all furniture, fixtures, equipment, supplies and other property using in the operation of the Franchised Business; Commercial General Liability Insurance in the minimum amount of \$1,000,000 aggregate single coverage; errors and omissions insurance with a minimum per occurrence limit of \$250,000 and a minimum general aggregate limit of \$500,000; automobile insurance with a minimum combined single limit of \$1,000,000; and Employee Dishonesty Insurance with a minimum limit of \$10,000. These figures do NOT include Workers’ Compensation Insurance, which is calculated on the amount of your annual payroll and is rated by each individual state and by the individual employee categories; therefore, there may be a large variation in premiums.

**Note 10 – Licenses and Permits and Professional Fees:** As stated in Item 1, some states (or other governmental bodies) require you and/or your employees to obtain special licenses/permits related to the operation of businesses and/or restaurants. The figures contained in the chart do not include the costs associated with any bonding requirements.) This estimate does not include any research or time necessary to prepare for any testing necessary to obtain such licensing. Additionally, some state or local governments require additional business operation permits. The costs of obtaining these licensing and permits will vary according to local and state regulations. You should consult your lawyer or your state and local authorities about the specific legal requirements for licenses, permits and related types of expenses in your area. You are responsible for all costs associated with all licenses and permits. This amount also includes estimated amounts for the review of franchise documents and other contracts by a professional such as an attorney or CPA. This estimate does not include professional fees for the creation of any legal entity.

**Note 11 – Additional Funds – 3 Months:** These figures are just estimates. Estimate includes minimum working capital for the startup of your Business for a period of three (3) months. This also includes estimates of miscellaneous startup costs such as: rent for an additional two months (your first month’s rent is already included above), shipping and delivery costs, purchasing additional kitchen equipment, products, and supplies; hiring additional staff, workers’ compensation insurance payments (if applicable), tax deposits, prepaid expenses, additional permits, legal fees, accounting fees and other miscellaneous costs.

**Total Estimated Initial Investment.** The total estimated initial investment is an estimate only of the range of startup expenses you may incur. We relied on our principals’ combined experience when preparing these figures.

## **ITEM 8**

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only offer and sell products and services which we authorize, as specified by us in writing (“Permitted Products and Services”). We may unilaterally add and delete products or services to or from the Permitted Products and Services at any time. We may also designate any products or services as optional. As discussed below, we may require that you obtain certain products or services from vendors that we designate from time to time, and we may be the sole exclusive vendor in certain circumstances.

You must purchase and maintain an inventory of product, supplies and kitchen equipment from us, our affiliates, or our approved vendors and/or suppliers. You will be provided with a written list of approved products, supplies, kitchen equipment and services you are authorized to use, offer, and sell; and a written list of approved vendors and/or suppliers for such items during the training program.

### **Products**

#### General

All Products sold or offered for sale at the Franchised Restaurant must meet our then- current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs, and materials as we may reasonably require in the Manual or otherwise in writing (collectively, “Restaurant Items”). You must purchase all additional Products and other Restaurant Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. You may not purchase, offer, or sell any Products, or use at your Franchised Restaurant any Products or Restaurant Items, which we have not previously approved as meeting our standards and specifications. We and/or our affiliate(s) are or may become a supplier of certain Products and Restaurant Items.

We may disapprove of Products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase any item from an unapproved supplier (except for Proprietary Products, which are discussed below), you must submit a written request for approval to us or shall request the supplier itself to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent certified laboratory designated by us, for testing. You will reimburse us for the reasonable cost of all evaluation and testing of such suppliers and/or their products. We reserve the right, at our option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier’s failure to continue to meet any of our criteria.

Our specifications either: (1) are or will be contained in the Manual or other Written Standards; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective

suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specifications and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that your purchases from approved suppliers will represent approximately 90% to 100% of your total purchases in establishing the Franchised Restaurant, and approximately 90% - 100% in the continuing operation of the Franchised Restaurant.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products, equipment, or services to some or all of the Restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that such action would not be in the best interests of the System or the franchised network of Restaurants. There are currently no purchasing or distribution cooperatives in our System.

We and/or our affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Restaurants in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase Products, equipment, supplies, services, and other items at a price that will benefit us and our franchisees. There are no supply contracts at this time. None of our officers or directors owns any interest in any vendor or supplier other than us.

### Proprietary Products

The Proprietary Products that are or may be offered and sold in WOSD Franchised Restaurants are or will be manufactured in accordance with our proprietary recipes, formulae, and specifications. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all WOSD Franchised Restaurants in the System, you must purchase Proprietary Products only from the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Franchised Restaurant. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer hardware and software system refer to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Restaurant and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). See Item 11 under the heading "Computer System" for more information.

### **Insurance**

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an

insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The types and amounts of insurance are discussed in Item 7, and include the following:

- (1) All-Risk Insurance on all furniture, fixtures, equipment, supplies, and other property using in the operation of the Franchised Restaurant; Commercial General Liability Insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage.
- (2) Product liability insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage; automobile insurance with a minimum combined single limit of \$1,000,000;
- (3) Employee Dishonesty Insurance with a minimum limit of \$10,000; excess umbrella policy insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage;
- (4) Personal property insurance in the minimum amount of \$150,000 coverage; and
- (5) Workers' compensation insurance, as required by the laws of the state in which your Franchised Restaurant operates. (However, you shall also be obligated to obtain and maintain such other insurance (i) as may be required by statute or rule of the state or locality in which the Franchised Restaurant is located and operated, (ii) as may be required by any lease to which Franchisee is a party, and/or as may be required in Franchisor's Written Standards.)
- (6) Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, system advertising fees and other fees due to us and/or our affiliates), or attributable to prevention of access to the Franchised Restaurant, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically. Business interruption insurance is required with liability limits of amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners.
- (7) Automobile liability coverage including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 for hired and non-owned coverage including uninsured motorist with a minimum of \$100,000 limit or what is in accordance with your state guidelines;
- (8) Professional liability insurance (optional) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$500,000 or an amount we reasonably specify;
- (9) Employer liability insurance (optional) that covers you and your Franchised Restaurant against claims made by employees for work-related bodily injury or disease, other than liability imposed on you and your Business by workers compensation law;
- (10) Employment practices liability insurance (optional) that covers you and your Franchised Restaurant against claims made by employees, former employees or potential employees for discrimination,

wrongful termination, sexual harassment, and other employment related obligations;

- (11) Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
- (12) Tenant's liability insurance if such insurance is required by the terms of your lease (if applicable).
- (13) Any other Insurance required by the state or locality in which the Franchised Restaurant is located and operated in such amounts as required by statute; and
- (14) Other insurance coverage, as we, your state or the landlord may reasonably require.

With regard to any construction, renovation, or remodeling of the Franchised Restaurant, you may be required to maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All the policies must name us and our affiliates, as additional insureds and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name us and our affiliates as an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Franchised Restaurant for operation and/or when you start accepting orders or 180 days following the date that the Franchise Agreement is executed (whichever comes first). You must purchase not less than "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without thirty days prior written notice to us and that we shall receive at least thirty days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

The cost of insurance purchased in accordance with our specifications will represent approximately 2% of your total purchases in connection with the establishment of your Franchised Restaurant and will be approximately 1% of your total purchases in the operation of your Franchised Restaurant. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

All insurance policies must name us, and the landlord of your Franchised Location, and each party's respective officers and directors, as additional insureds. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in Franchisor's Written Standards and/or Manual. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for WOSD Franchised Restaurants. If we do so, we may require that you obtain your insurance through the designated carrier(s). We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers.

We provide no material benefits to franchisees based on their use of an approved insurance carrier.

## **Leases**

If you will occupy the premises of your Franchised Restaurant under a lease, then you must, before executing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, as currently set forth in Exhibit 10 to the Franchise Agreement.

We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us (provided such assignment shall not relieve you of your obligations under the lease or cause us or our designee to have any obligations or liability under the lease).
2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the lease and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the lease as if the lease had been assigned by you to us.
3. You are required to furnish copies of all insurance policies required by the Franchise Agreement and by the lease, to us, or such other evidence of insurance coverage and payment of premiums as we request or permit or under the lease.

We provide no material benefits to franchisees for leasing any particular space for the Franchised Restaurant.

### **Design and Construction**

You must hire a licensed architect (as described below) to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised Restaurant, you must employ this designated supplier to prepare all designs and plans for your Franchised Restaurant. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. (See Item 11 under the subheading “Construction and Layout of Business” for additional information.) You must hire a qualified licensed general contractor, who is acceptable to us, to construct the Franchised Location. We do not derive revenue or other material consideration as a result of our franchisees using a designated architect or contractor. We provide no material benefits to franchisees based on their use of a designated architect or contractor.

### **Advertising**

As noted in Item 11 below, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional materials without our prior written consent. We reserve the right to require that you purchase certain marketing and promotional materials from us or our affiliate. We or our affiliate may derive revenue through the sale and distribution of these marketing and promotional materials to our franchisees, although we do not currently do so. As of the date of this Disclosure Document, we have received no revenue

as a result of franchisee purchases. Given that we do not currently derive any revenue from these sources, we do not have an exact basis to predict the percentage of our revenues which we will derive from the marketing and promotional materials franchisees may eventually be required to purchase from us.

**Purchasing Arrangements**

There are currently no purchasing or distribution cooperatives in our System. Currently, we do not negotiate purchase arrangements or prices with suppliers for the benefit of franchisees.

We and/or our affiliates may derive any revenue from required purchases or leases from franchisees. For the last fiscal year 2024, we received \$1,102.99 from gift card purchases representing .00040% of our total gross revenues of \$2,789,607.00. We and/or our affiliates, reserve the right to receive rebates, discounts, credits, or other incentives from one or more approved suppliers which are based upon your purchase from such suppliers. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. For the last fiscal year 2024 we received \$165,058.45 in allowances, rebates, and commissions from vendors for required purchases representing 5.9% of our total gross revenues of \$2,789,607.00.

We do not provide material benefits to franchisees based upon their purchase of particular products or services or their use of designated or approved suppliers.

You must obtain our acceptance of each site for a WOSD Franchised Restaurant. Otherwise, the Area Development Agreement does not require you to buy or lease from us or designated or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items to establish or operate the business under the Area Development Agreement. However, you must follow our requirements under the Franchise Agreement for each WOSD Franchised Restaurant you develop.

**ITEM 9**

**FRANCHISEE'S OBLIGATIONS**

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.**

	<b>Obligation</b>	<b>Section in FA and ADA</b>	<b>Item in Disclosure Document</b>
a.	Site selection and acquisition /lease	FA 1, 3	6, 11
b.	Pre-opening purchases/leases	FA 3, 7, 11	7, 8, 11
c.	Site development and other opening requirements	FA 3, 7/ADA 4	6, 7, 11
d.	Initial and ongoing training	FA 6, 7	6, 7, 11
e.	Opening	FA 4, 7/ADA 4	7, 11

f.	Fees	FA 4, 7/ADA 3	5, 6, 7, 11
g.	Compliance with standards and policies/Operating Manual	FA 7, 9	8, 11
h.	Trademarks and proprietary information	FA 8, 9, 10, 14ADA 2	13, 14
i.	Restrictions on products/services offered	FA 7	8, 16
j.	Warranty and customer service requirements	FA 7.2, 7.12	8, 11
k.	Territorial development and sales quotas	Not Applicable	Not Applicable
l.	Ongoing product/service purchases	FA 6.2, 7	8
m.	Maintenance, appearance, and remodeling requirements	FA 7	11,17
n.	Insurance	FA 7	6, 7
o.	Advertising	FA 5, 11	6, 7, 11
p.	Indemnification	FA 7.9, 17/ADA 10	6
q.	Owner's participation/management/staffing	FA 7, 15	1, 11, 15
r.	Records/Reports	FA 5, 7/ ADA 10	6
s.	Inspections/Audits	FA 7/ADA 10	6, 11
t.	Transfer	FA 12/ADA 10	6, 17
u.	Renewal	FA 2/ADAM (N/A)	17
v.	Post-termination obligations	FA 14	17
w.	Non-competition	FA 7, 15	17
x.	Dispute Resolution	FA 7.12, 10.2, 15, 16, 18.6/ADA 10	17
* "FA means" the Franchise Agreement and "ADA" means the Area Development Agreement			

**ITEM 10**  
**FINANCING**

We do not offer direct or indirect financing. We will not guarantee any note, lease, or other obligation.

**ITEM 11**  
**FRANCHISOR'S ASSISTANCE,  
ADVERTISING, SOFTWARE, WEBSITE AND TRAINING**

**Except as listed below, the Franchisor is not required to provide you with any assistance.**

**Pre-Opening Obligations**

Before you open your Franchised Restaurant, we will:

- 1) Approve the Specific Location of your Franchised Restaurant within a designated General Area (Franchise Agreement – Section 1.2 and Section 4.2(B) of the Area Development Agreement) and designate your protected territory. (Franchise Agreement – Section 1.3 and Section 4.2(B) of the Area Development Agreement).
- 2) Train you (there is no fee for training up to 2 trainees), using the following general training outline, agenda, and schedule, which is subject to change. (Franchise Agreement -Sections 6.1.e., 7.1.) Attendance at training sessions is required.
  - Pre-Opening Training & Opening-Assistance. During the period of time between the week before you open your Franchised Restaurant and the two weeks after your initial opening, we will send one (1) designated trainer/consultant for a period of up to ten (10) days to your Franchised Restaurant to train and/or consult with your general manager, owners and staff, as we deem appropriate and in our sole discretion. You will receive no compensation for your on-the-job training.
- 3) At no charge to you, provide you or the approved design firm and/or architect with our prototype plans, standard layouts, and/or specifications for the construction of a Franchised Restaurant and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect or employing a design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading “Construction and Layout of Business”), and for hiring a contractor to build the Franchised Restaurant in accordance with those approved plans. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 6.1.d.)
- 4) Provide you a list of all equipment, supplies, and initial inventory required to operate your Franchised Restaurant. (Franchise Agreement – Section 6.1.c.)
- 5) Lend you one (1) copy of our Operating Manual. (Franchise Agreement – Section 6.1.g.)
- 6) Inform you of trade and operating procedures and methods. (Franchise Agreement – Section 6.1.h.)
- 7) Provide you approved sources for purchasing supplies, equipment, and materials. (Franchise Agreement – Section 6.1.j.)
- 8) At our discretion, inspect and approve the Franchised Restaurant for opening before the initial opening.

### **Post-Opening Obligations**

During your operation of the Franchised Restaurant, we will:

- 1) Allow you to use the Marks, and all our other copyrighted materials, for the Franchised

Restaurant. (Franchise Agreement – Section 6.1.b.)

- 2) Continue to loan you one (1) paper copy of our Operating Manual (which you must maintain as confidential and secret), as may be modified by us from time to time (Franchise Agreement – Section 6.1.g.)
- 3) Provide you, on loan, then-existing trade and operating procedures and methods, as may exist or be developed or modified, whether or not set forth in the Written Standards and/or Manual (which you must maintain as confidential and secret), all of which as may be modified by us from time to time. (Franchise Agreement – Section 6.h.)
- 4) Provide a copy of any existing business and reporting forms as we may create for your use in your Franchised Business. (Franchise Agreement – Section 6.1.i.)
- 5) Provide you approved sources for purchasing supplies, equipment, and materials. (Franchise Agreement – Section 6.1.j.)
- 6) Provide you with periodic assistance, to the extent we deem necessary. (Franchise Agreement – Section 6.1.k.)
- 7) Send you periodic newsletters, bulletins, and such other materials, information, and assistance as we deem necessary. (Franchise Agreement – Section 6.1.l.)
- 8) In the event that we develop our own proprietary Software for use by our franchisees, license you a copy of such Software, at a fee to be determined by Franchisor. (Franchise Agreement – Section 6.2.)
- 9) Provide the other assistance as described in the rest of this Item 11, below.

#### Our Obligations Under the Area Development Agreement

If you sign an Area Development Agreement, you will sign the initial Franchise Agreement in the Development Schedule when you sign the Area Development Agreement. We will determine whether to accept or reject proposed sites based on our then current standards for site selection. If you comply with the Area Development Agreement and our then current development policies, and we have accepted your proposed site for a new WOSD Franchised Restaurant, then we will issue a Franchise Agreement for that Restaurant at that site. You and we must sign our then current form of Franchise Agreement for the proposed Restaurant. We may periodically modify the then current form of Franchise Agreement and it may be different from the current form of Franchise Agreement, including different fees and obligations. (Area Development Agreement, Section 4(b)(4)).

#### Site Selection and Lease

You must comply with our development policies, as we periodically modify them, for each proposed site for a WOSD Franchised Restaurant. If you sign the Area Development Agreement, then you may look for sites within the Development Territory. Our development policies include sending us a complete site report (containing such demographic, commercial, market and other information and photographs as we may

periodically specify) for each proposed site, and information on your financial and operational ability to develop and operate the proposed Restaurant, along with sending us information necessary to complete each Franchise Agreement, all on the schedule we periodically specify. If you will develop a Restaurant under a Franchise Agreement without signing an Area Development Agreement, you must already have identified the premises from which you will develop and operate the Restaurant. If you sign the Area Development Agreement, then you must receive our written acceptance of your proposed site for each Restaurant to be developed under the Area Development Agreement before we will issue a Franchise Agreement for each such Restaurant. We will not unreasonably withhold acceptance of a proposed site. In reviewing any proposed site, we will consider the matters we deem material, including demographic characteristics of the proposed site, traffic patterns, competition, the proximity to other businesses, the nature of other businesses near the site, and other commercial characteristics (including the purchase or lease obligations for the proposed site) and the size of premises, appearance and other physical characteristics. Generally, within 45 to 60 days after you submit all required information, we will notify you in writing whether or not we have any objections to the site you proposed. You may not develop a Restaurant at any site unless we have communicated our acceptance of the site in writing. Our acceptance of the site simply means that the site meets our then current site selection standards or guidelines. We generally do not own sites and lease them to franchisees, lease sites and sublease them to franchisees, or select sites for franchisees. If you do not open the Restaurant on or before the deadline in the Franchise Agreement or Development Schedule, we may terminate your Franchise Agreement or Area Development Agreement. You must sign, and provide us an executed copy of, your lease or the purchase agreement for the site within 30 days after the Franchise Agreement's effective date. If you fail to sign the lease or the purchase agreement by these deadlines, we may terminate the Franchise Agreement. (Franchise Agreement, Sections 2.A and 5.A and Area Development Agreement, Section 4.B and 7).

### **Site Selection**

If you do not already possess a location that we find acceptable for a WOSD Franchised- Restaurant when you sign our Franchise Agreement, we will designate a general area ("General Area") in which you will buy or lease a premises for your Franchised Location. You will be given up to six (6) months in which to find and secure a suitable site within the General Area for the operation of your Franchised Restaurant. In the event you do not find and secure a suitable site within this time frame we may terminate the Franchise Agreement, and you will receive no refund of any fees paid. You must obtain our written approval of your site, which we will not unreasonably withhold. Such approved site location shall be deemed your "Specific Location." Under any of the above circumstances, you must be opened and operating within the earlier of twelve (12) months following the execution of the Franchise Agreement or six (6) months following the time you leased or acquired the approved site. In the event you do not open within this time frame we may, terminate the Franchise Agreement and you will receive no refund of any fees paid.

### **Construction and Layout of Business**

You are responsible for developing your Franchised Restaurant. We will provide our standard plans, layouts, and/or specifications for a WOSD Franchised Restaurant to the design firm or architect that we have designated or approved (as described below). These plans and layouts are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state, or local law, code, or regulation, including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior

appearances) of WOSD Franchised Restaurants and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility, and other relevant factors. You must hire a licensed architect to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised Restaurant, you must employ the designated supplier to prepare all designs and plans for the Franchised Restaurant. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You will be responsible for paying for all design and architecture services. During any period that we have designated a general contractor to provide construction services and/or oversight prior to the time you begin to develop your Franchised Restaurant, you must employ the designated supplier to perform all such services.

If we have not designated a general contractor for construction services for your geographic area, you must locate and employ a qualified general contractor who has all necessary permits or licenses in your jurisdiction and who is reputable and experienced in providing general contractor construction services and who is approved by us in writing.

### **Opening of Franchised Location**

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately nine (9) to twelve (12) months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures, and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Restaurant within the earlier of twelve (12) months) following the execution of the Franchise Agreement or six (6) months following the time you leased or acquired the approved site. In the event you do not open within this time frame, we may terminate the Franchise Agreement, and you will receive no refund of any fees paid.

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system (a “**Computer System**”) that we may specify from time to time. (Franchise Agreement, Section 9.) The term Computer System refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Location and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. The Computer System requirements are set forth in our Manual and/or Written Standards, or as otherwise described to you, in writing. The hardware and software that we currently use is not proprietary to us but is proprietary property to the vendor.

Currently, you must purchase a computer/POS system from POS Specialists, which uses Heartland Restaurant POS System 2x Heartland Restaurant software licenses including ordering, timekeeping, Heartland credit card processing, offline credit card processing, Cloud admin portal and reporting, Text to pay, QR code pay, Heartland Gift integrated, Doordash integrated, 1x Como - mobile app, loyalty and customer engagement platform, 3x Apple iPad 10.2, 3x Heartland register stands, for iPad 10.2, 1x Apple iPad Mini, 1x Rugged case for iPad Mini, 2x Heartland thermal receipt printer (Star TSP 100,

ethernet), 1x PAX A35 EMV card reader, 1x Heartland cash drawer, 1x Ubiquiti Dream Router & Wifi, Online video training course, Professional onsite install, 24/7/365 technical and customer support. The cost of ongoing service and software subscription for the Point-of-Sale system is a recurring monthly fee. Varies whether purchased or leased.

We currently do not require, but strongly recommend, that you to maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software, or related services. We will endeavor to keep these changes or modifications infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with access to your Computer System in the form and manner that we may request. We reserve the right to download sales, other data, and communications from your Computer System. There is no contractual limitation on our right to access this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you. We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet or intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the extranet or intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the extranet that you must acknowledge and/or sign. (Franchise Agreement, Section 9.)

### **Advertising Programs**

We do not now but may require You to pay an advertising fee (see Item 6). At our discretion, this advertising fee will be allocated to (a) national and/or regional advertising funds for the common benefit of franchisees (“Advertising Funds” or “Funds”) or (b) a regional advertising or promotional cooperative, described below. Company-owned and affiliate-owned locations will be required to make contributions on the same basis as other comparable franchisees. All Advertising are uniformly imposed and are non-refundable.

#### Advertising Funds.

If we choose to implement, and for so long as we choose to do so, at our sole discretion, we will maintain and administer the Advertising Funds. The monies in the Advertising Funds will be maintained in an account separate from our other accounts. Such sums will not be used to defray any of our operating expenses, except for reasonable costs and expenses we incur in the administration and operating of the Funds. We will maintain separate bookkeeping accounts for each Fund. We will prepare an annual statement of the Funds’ operations and will make it available to you upon request. We are not required to have the Fund(s) statements audited. We are not obligated in administering any Funds to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that you benefit directly or indirectly from any advertising. The Funds and any earnings on the Funds shall otherwise inure to your benefit. The Funds are not trust funds, and we do not owe you any fiduciary obligations related to them.

It is anticipated that all contributions to and earnings of the Funds shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Funds at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. If your Franchise Agreement is terminated for any reason, all advertising fees paid by Franchisee shall be forfeited to the Fund(s). Although we intend the Funds to be of perpetual duration, we maintain the right to terminate any Funds. No Funds shall be terminated, however, until all monies in the specific Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

The Funds may be used as follows: to pay the costs of conducting market surveys and research; to employ public relations firms or advertising agencies; to prepare and produce video, audio and written marketing materials and/or templates; to publish or copy marketing materials; to create and/or maintain a Website; and to take any other actions or purchase and other goods or services we reasonably anticipate to benefit the Marks or the System. We may use monies in the Funds to provide for placement of advertising on behalf of the entire System. However, most placement will likely be done on a local basis, typically by local advertising agencies hired by individual franchisees or advertising cooperatives. As of the date of this FDD, we do not intend to use any portion of the Funds to solicit new franchise sales.

#### Cooperatives.

We have the right under the Franchise Agreement to designate any geographical area for the purpose of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to your Franchised Restaurant. If we have established a Cooperative applicable to your Franchised Location at the time you begin operation under the Franchise Agreement, you must immediately become a member of such Cooperative. If we establish a Cooperative applicable to your Franchised Restaurant at any later time during the term of your Franchise Agreement, you must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operations. If your Franchised Restaurant is within the territory of more than one Cooperative, you will be required to be a member of only one Cooperative.

If we establish a Cooperative, we will allocate a portion of the Advertising Fee to the Cooperative. See Item 6 for a calculation of the Advertising Fee. Each Cooperative will be organized, governed, and administered pursuant to bylaws, in a form and manner, and will commence operations on a date, approved in advance by us in writing. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising and promotion. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. Under the Franchise Agreement, we reserve the right to change, dissolve, merge or terminate any Cooperative. If a Cooperative is established in an area where a company-owned or affiliate-owned business is located, such company-owned or affiliate-owned business will have voting power on any fees imposed by the Cooperative to the same extent as other franchisees.

If established, the bylaws of a Cooperative will be available for review. Pursuant to its bylaws, an unaudited accounting of the operation of a Cooperative will be prepared annually by the Cooperative

and will be made available to you during regular business hours, once during each calendar year.

### Local Advertising Requirements.

Currently, you must spend 1% of your Gross Revenues per month on your own local advertising. We reserve the right to increase this amount up to 3%. Upon 30 days' written notice to you. Such local advertising requirements are in addition to your obligation to contribute to the Advertising Funds.

### **Software**

As of the Effective Date of this disclosure document (see cover page), we have not developed any proprietary software in connection with the operation of the Franchised Location. And we do not promise that we will develop any such software. However, in the event that we do develop any proprietary software, we will provide it to you, and you will be required to use it, subject to the requirements of the Franchise Agreement (Franchise Agreement – Section 9.1).

### **Website**

We have the right but not the obligation, to establish and maintain a website, which may, without limitation, promote the Marks, the System, any or all of the Permitted Products and Services, our company-owned locations, our affiliate-owned locations, franchised locations, and/or the offer and sale of WOSD franchises. We shall have the sole right to control all aspects of the Website, including, but not limited to, its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. We also have the right to discontinue the operation of the Website. You will be obligated to pay us any fee imposed by us, or your *pro rata* share of any fee imposed by a third-party service provider, as applicable in connection with hosting of the Website. We shall have the right, but not the obligation, to designate one or more web page(s) to describe you, the Franchised Restaurant, and/or your location, with such web page(s) to be located within our Website. You shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages, and we shall have the right to limit and/or discontinue the content and/or operation of such Website and web pages. Except as we approve in advance in writing, you may not establish or maintain a separate website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Franchised Restaurant. If we grant approval, you must establish and operate your Website in accordance with our standards and policies provided to you in the Written Standards, the Manual or otherwise in writing.

### **Confidential Operating Manual**

The Operating Manual contains 34 pages and the current Table of Contents of the Operating Manual as of our last fiscal year end is attached as Exhibit "E" to this disclosure document.

Before your Franchised Restaurant opens, you must complete all of our initial training requirements. You and, if applicable, your general manager must attend and successfully complete, to our satisfaction, the initial training program that we offer at a location designated by us. Additionally, we may also require that other persons, up to a total of two (2) individuals (including the designated Principal and general Manager), attend and successfully complete the initial training program. We will bear the cost of all training (instruction and required materials) for the initial training program and all other training, except as described below regarding additional training and assistance that we provide at your Franchised

Restaurant. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this Disclosure Document).

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Restaurant, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided that you may train General Managers. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify in the Manual, the Written Standards, and/or otherwise in writing. Replacement managers must be trained according to our standards, and you may be permitted to provide such training directly, provided you meet our then-current standards for qualifying as a training facility. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

As also described in Item 11 (Pre-Opening Obligations) above, your initial training will be comprised of on-the-job training and opening assistance at your Franchised Restaurant. We will not charge you a fee for any of this initial training. However, you shall be responsible for all travel, lodging, meals, or other costs you or your own representatives may incur in attending or participating in any of this initial training. You and your representatives will not be compensated by us for any time or effort spent in initial training, including any on-the-job training. You will be solely responsible for compensating your representatives for their time and effort, if appropriate.

The trainer/consultant will provide assistance and training for approximately 80 hours over approximately two to three weeks. Prior to the time our representative arrives at your Franchised Location, you must have hired your initial staff of employees. During this initial training and opening assistance, our representative will assist you in establishing and standardizing procedures and techniques essential to the operation of a WOSD Franchised Restaurant and will assist in training personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinances, or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. You will receive no compensation for your on-the-job training. We have the right to change the duration and content of our initial training and opening assistance program.

### **TRAINING SCHEDULE – AT CORPORATE OFFICES**

The WOSD Franchise training program includes an Operating Manual, hands-on training, videos, and demos. This training curriculum is fully detailed in the Operating Manual and will change periodically.

### **TRAINING PROGRAM**

The Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. Updates to the Manual will be made available to you through various means including online. All of the training sessions will be taught by a Jatinder (“Nick”) Singh who has over 4 years of food industry experience and whose background is described in Item 2 above. Occasionally, different guest speakers may

make an appearance at the training program to provide information about various products, services and programs offered by us. For example, some speakers may be our employees, franchisees, vendors, or industry experts. Our training program uses presentations, demonstrations, examples from the Operating Manual, on the job training and various speakers.

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Instruction</b>	<b>Regional Locations</b>
The WOSD System, Standards and Philosophy*	18 Hours	160 Hours	Presentation, Demos and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
WOSD Menu and Overview of all Products	8 Hours	70 Hours	Presentation, Operating Manual and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Kitchen Equipment Specifications, Operation and Maintenance	4 Hours	8 Hours	Operating Manual, Demos, On the Job Training and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Approved Vendors and Suppliers	8 Hours	40 Hours	Presentation, Operating Manual and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Purchasing Strategies, Inventory and Controlling Food Cost	8 Hours	40 Hours	Presentation, Operating Manual, On the Job Training and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Food Preparation, Recipes, Positional Training and Kitchen Procedures	4 Hours	100 Hours	Presentation, Operating Manual, Demos, Various Speakers and On the Job Training	Corporate headquarters in Granite Bay, California or as we otherwise specify

Online Ordering for Pickup	1 Hour	3 Hours	Presentation, Operating Manual and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Pricing Guidelines for all Products	1 Hour		Presentation, Operating Manual and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Customer Service and Manager Responsibilities		40 Hours	Presentation, Operating Manual, On the Job Training and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Safety, Health, Sanitation, Cleanliness and Shop Appearance Requirements	10 Hours		Presentation, Operating Manual, Demos, and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Scheduling and Controlling Labor Costs	4 Hours		Presentation, Operating Manual and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
POS System, Technology and Software Training**	8 Hours	10 Hours	Presentation, Operating Manual, On the Job Training and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Networking, Marketing and Promoting Your Business	8 Hours	20 Hours	Presentation, Various Speakers and Marketing Plan Creation	Corporate headquarters in Granite Bay, California or as we otherwise specify
Recommendations for Hiring, Training and Managing Employees	8 Hours	120 Hours	Presentation, Operating Manual and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify

Administrative, Payroll and Bookkeeping Responsibilities	8 Hours	80 Hours	Presentation, Operating Manual, On the Job Training and Various Speakers	Corporate headquarters in Granite Bay, California or as we otherwise specify
Total Hours***	98 Hours	230 Hours		

\*Prior to attending our initial training program, you are expected to complete approximately 2 hours of self-study at your own pace utilizing materials we send to you.

\*\*Additional POS and software training may be provided to you and performed by our approved vendors after the initial training above is completed.

\*\*\*The actual hours of classroom and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than in a larger class or depending on your experience.

### **Additional Training Programs**

We may hold annual conferences to discuss sales, techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. We may also require you to attend and complete additional training, in addition to and beyond initial training. We may charge you a fee to attend these conferences or any additional training. Additionally, your employees will be responsible for all expenses incurred by you and your employees in connection with any conferences or training, including costs of travel, accommodations, meals, and wages. Elective conferences and training sessions will be held at our offices in such location as we may designate.

### **Ongoing Training Programs**

We will provide you with memos and/or newsletters that will contain ongoing training relating to your Franchised Business and access to additional or refresher training programs that may be conducted through the telephone, webinars, or video training at no cost to you. In very rare instances, we may periodically require that you or your Owners (if you are an entity) and/or manager to complete additional or refresher training programs to correct, improve or enhance the operations of your Franchised Business. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars, or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room, and board.

## **ITEM 12** **TERRITORY**

The Franchise Agreement will grant you the right to operate your Franchised Restaurant at a specific location chosen by you and approved by us (your “Specific Location”). Unless we agree, in writing, otherwise, you must operate your Franchised Restaurant at the Specific Location. For clarity, unless otherwise approved by us, the site where you operate your Business must be within your Territory. You

will not receive an exclusive territory, and you may face competition from other franchises, from outlets that we own, from other channels of distribution or competitive brands we control. We make no representations or guaranties about the number of people or potential customers around your Specific Location.

During the term of the Franchise Agreement, we will not award to another party a franchise to operate another WOSD Franchised Restaurant within a two (2) mile radius of your Specific Location (your “Protected Territory”) except for locations in indoor shopping malls, airports, college campuses, and military bases and/or inside other retail establishments such as a convenience store or gas station, and as defined by MapQuest or a similar mapping program. We reserve the right to grant a territory that is larger or smaller than the 2-mile area described above, to account for more densely or sparsely populated areas, highway exits going in different directions, bridges, natural structures, and waterways. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you). Pursuant to our Settlement Agreement with West Coast Sourdough, Inc. (as discussed in Item 3), neither our company-owned businesses, nor our franchisees may operate a WOSD Franchised Restaurant within three (3) miles of an existing West Coast Sourdough store.

You will have the only WOSD Franchised Business within your Territory. You can perform services and sell products to anyone so long as all services you perform are within your Territory, the products you sell are from your Business and such sales and services do not result in any Target Marketing activities by you (as defined below). You can also conduct business at special events (such as: community events, festivals, consumer shows, expos, etc.) to promote services and sell products as long as such events are within your Territory. You can directly market and solicit for customers only within the approved Territory that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may also sell and ship products to anyone located outside your Territory so long as your sales do not result from any Target Marketing (as defined below) activities by you.

As further discussed below, we reserve all other rights. We may own, acquire, establish, and operate, and license others to establish and operate, businesses substantially similar to the Franchised Restaurant, under the Marks at any locations outside the Territory. We may own, acquire, establish, and operate, and license others to establish and operate, businesses substantially similar to the Franchised Restaurant, under other proprietary marks at any locations inside or outside the Territory. We and/or other WOSD franchisees (or licensees) may conduct or participate in advertising and promotional activities that target or are directed to potential customers who may reside or work in your Protected Territory (including, but not limited to, commercials on television and radio stations that broadcast, and advertisements in newspapers and magazines that circulate, in your Protected Territory). There is no minimum sales quota to maintain your Protected Territory. You maintain rights to your Protected Territory even if the population in your Protected Territory increases.

You have no rights to operate your Business out of any other location other than the location approved by us. You may not relocate your Business without our written consent, which we will not unreasonably withhold or delay. We base our approval of your proposed relocation using the same factors described above.

You must sign a separate Franchise Agreement for each additional Franchised Business. You must pay the fee for each additional acquisition mentioned in Item 5 and be in compliance with all of the terms and conditions of the Franchise Agreement. We will evaluate your proposed location of any additional WOSD

Franchised Business based on the criteria mentioned in Items 11 and 12 above.

The Territory described above will affect where you and our other franchisees may solicit business, provide services, and sell products. If other geographical areas are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you might not have the right of first refusal or option to buy the territory that was formally unassigned. You are encouraged to directly market for customers located within your Territory to promote services and sell products. You may sell products to anyone from anywhere even if such customers are within another franchisee's territory so long as your sales do not result from any direct solicitation activities by you and the products you sell are being sold from your Business or at special events within your defined Territory. In addition, in the future, we may allow you and other franchisees or company-owned businesses to promote services and sell products through alternative channels of distribution (such as on Websites). If you are granted permission to promote services and/or sell products through an alternative channel of distribution, per our written approval, all services must be performed within your Territory, and you may sell products to anyone from anywhere without compensation to the other franchisees or company-owned businesses. We, other franchisees, and company-owned businesses reserve the same right to promote services and/or sell products through alternative channels of distribution (such as on Websites) to anyone from anywhere (so long as such services are performed within their respective areas) without compensation to you. Therefore, although you may be the only WOSD Franchised Business physically located in your Territory, you do not receive an exclusive territory. You are prohibited from soliciting and marketing in general to customers by any means outside of your Territory and must not specifically engage in target marketing ("Target Marketing") of customers within the Territory of another WOSD Franchised Business (franchise and/or a company/affiliate owned business). Target Marketing means a concerted effort by a franchisee to solicit and obtain customers through any type of advertisement or marketing, directed at all or a portion of another franchisee's territory. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

You may conduct business at special events and perform services in other geographical areas outside your Territory provided there is not another WOSD franchise or company owned location. If you are asked to conduct business at a special event (such as: community events, consumer shows, festivals, expos, etc.) to promote services and/or sell products or perform services in another geographical area in which there is another franchisee or company-owned business, you must immediately refer that request to the WOSD business in that geographical area or directly to us. If the other franchise or company-owned business gives you written permission to conduct business at such special event or determines it is in the best interest of the customer for you to perform services, then you can proceed to conduct business at such special event or immediately perform services for the customer. If there is not a WOSD franchise or company-owned business in the geographical area where you wish to conduct business at a special event or to perform services, then you must submit a request to us asking to conduct business at such special events or perform services and upon our written approval you can proceed. We shall approve or deny your request to conduct business at such special events or to perform services in other areas not owned by other franchisees or us, which approval is in our sole discretion, within three business days of your written request. Our response to your request will be made by email or any other form of written communication. Approval may be revoked in our sole discretion. However, you must be prepared to immediately cease conducting such special events and/or performing services in that unassigned area when it is otherwise assigned or franchised. We and other franchisees must refer special events, customers that are within your Territory to you and also reserve the same right to sell products to anyone who comes from anywhere and also to perform services for customers who may be within your defined Territory if it is determined to be in the customer's best interest.

If during the term of the Franchise Agreement, you are unable to promptly and properly provide services to any of your customers due to excessive work or other cause, you must refer that customer to another franchise in the System, company-owned location or to us. If you fail to refer special events, customers as set forth herein, we will have the right to terminate the Franchise Agreement. For any default of the Franchise Agreement, as an alternative to termination, we may modify or completely eliminate any rights that you may have with respect to your protected status of the Territory, effective ten days after delivery of written notice to you.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity to a consumer show, festival, or expo where food-related products or services are being offered or sold to participate in the cost and benefit of the show or festival. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets. In such programs, we may require the customer acquired through such programs; to be served by the closest or other franchisee and you will not be charged or receive any type of referral fee. We are not responsible for paying any compensation to you concerning the sale of any services, products, or equipment (if we choose to sell equipment in the future) by us over the Internet or other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to promote, offer and/or provide services; sell or distribute products and equipment through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established, and do not presently intend to establish, other franchises or similar company-owned businesses except as disclosed in Item 1 of this Franchise Disclosure Document and set forth below, that sells similar products or offers services under a trade name or trademark different from the Marks. We do not plan to maintain physically separate offices and training facilities for the similar competing business.

You will operate your Franchised Business at a location approved by us within your designated Territory, unless otherwise authorized by us, in writing.

#### Our Reserved Rights under the Franchise Agreement.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to the right to:

- (1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including WOSD Franchised Restaurants operating under the Proprietary Marks and the System selling the Products at any location outside your Protected Territory regardless of their proximity to, or potential impact on, your Protected Territory or Franchised Restaurants.
- (2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Restaurant, at any location within or outside the Protected Territory, notwithstanding their proximity to the Protected

Territory or the Specific Location or their actual or threatened impact on sales of the Franchised Restaurant.

- (3) As described above, we may own, acquire, establish, and/or operate, and license others to establish and operate WOSD Franchised Restaurants under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory. "Non-Traditional Sites" means both (a) locations situated within another retail business [such as within a gas station or convenience store], and (b) outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department businesses, indoor shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.
- (4) We may sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products (including the Proprietary Products) through wholesalers, distributors, or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Protected Territory shall not be from a WOSD Franchised Restaurant established under the System that is operated from within the Protected Territory.

#### Rights Under the Area Development Agreement

If we and you sign an Area Development Agreement, then we grant to you the right to develop and sign Franchise Agreements to operate the number of new WOSD Franchised Restaurants identified on the Development Schedule within the Development Territory. We will identify the Development Territory in the Area Development Agreement when we and you sign it. We typically define Development Territories based on demographics, the character of the market and nearby businesses and residences, the density of residential and business entities, traffic generators, driving times, and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas. The consumer service area, trade area or designated area of another WOSD Franchised Restaurant might overlap with your Development Territory. There is no minimum size for Development Territories.

To maintain your rights under the Area Development Agreement, you must (i) submit site packages for proposed WOSD Franchised Restaurant sites that you reasonably believe conform to our then current site selection criteria, in the form and containing the information that we periodically specify, for the number of sites described under the Development Schedule; (ii) sign Franchise Agreements with us for the number of new WOSD Franchised Restaurants described under the Development Schedule; and (iii) open and begin operating the number of new WOSD Franchised Restaurants described under the Development Schedule in compliance with the applicable Franchise Agreements. We will determine whether to accept or reject proposed sites based on our then current standards for site selection. You also must comply with the Development Schedule requirements regarding the cumulative number of WOSD Franchised Restaurants to be open and continuously operating for business in the Development Territory.

If you fail to comply with any aspect of the Development Schedule, we may terminate the Area Development Agreement. If you have complied with the Area Development Agreement and our then current development policies, and we have accepted your proposed site for the WOSD Franchised Restaurant and your financial and operational qualifications, then we will issue a franchise agreement for that Restaurant at that site. We will determine the designated area, and any rights in the designated area, for that franchise agreement using our then current standards and policies.

If you and your affiliates are complying with the Area Development Agreement and any other agreements with us and our affiliates relating to any WOSD Franchised Restaurant, including all Franchise Agreements, then we and our affiliates will not open and operate, or grant to anyone else a license or franchise to open and operate, a WOSD Franchised Restaurant the physical premises that are located within the Development Territory so long as the Area Development Agreement is in effect, except for WOSD Franchised Restaurants located at Non-Traditional Sites within the Development Territory. Non-Traditional Sites are excluded from the Development Territory, and we and our affiliates may open and operate, or grant to anyone else a license or franchise to open and operate, WOSD Franchised Restaurants at Non-Traditional Sites within or outside the Development Territory. However, if the Development Territory covers more than one city, county, designated market area or target area (each “Target Area”), then this territorial protection for each Target Area expires upon the earlier of (i) the expiration or termination of the Area Development Agreement, or (ii) the date upon which you sign a Franchise Agreement for a WOSD Franchised Restaurant to be developed in that Target Area. When this territorial protection for the Development Territory or Target Area (as applicable) ends, then we and our affiliates may open and operate, and grant to anyone else a license or franchise to open and operate, WOSD Franchised Restaurants, the physical premises of which are located within the Development Territory or Target Area (as applicable), except as otherwise provided under any Franchise Agreement then in effect.

The rights described above that we and our affiliates reserve in a franchisee’s Designated Area for a single WOSD Franchised Restaurant are generally the same for the Development Territory under the Area Development Agreement. Because we can locate WOSD Franchised Restaurants at Non- Traditional Sites within the Development Territory and for the reasons described above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Continuation of your territorial rights in the Development Territory does not depend on your achieving a certain sales volume, market penetration or other contingency, and we may not alter your Development Territory or modify your territorial rights in the Development Territory. You have no options, rights of first refusal or similar rights to acquire additional franchises under the Area Development Agreement. Except as described in Item 1, we do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our franchisees sell.

### **ITEM 13** **TRADEMARKS**

We will license you to operate the Franchised Restaurant under the name “The World of Sourdough,” “Sourdough & Co.,” and “Naturally Better!” and other current or future Marks. By Marks, we mean trademarks, trade names, service marks and logos we may authorize for you to identify your Franchised Restaurant. You must use the Marks only for the operation of your Franchise and in the manner authorized by

us.

WOSD System. The System includes WOSD trademarks/service marks and copyrights, the name “World of Sourdough,” “Sourdough & Co.,” uniform standards, specifications and procedures for operations, equipment, inventory and staffing, the quality and uniformity of services and reporting, training and assistance, and its advertising and promotional programs. You will operate your Franchised Business under certain trade names, service marks, trademarks, trade dress, logos, emblems and indicia of origin, including the mark, “World of Sourdough,” and other trade names, service marks, and trademarks which we now designate, or may designate in the future, for use in connection with the System (the “Proprietary Marks” or “WOSD Marks”). The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including the word and design mark “World of Sourdough Sandwiches – Soups - Salads” which is registered on the principal register of the United States Patent and Trademark Office, bearing the registration number 6873875 dated October 11, 2022. The design and word mark “Sourdough & Co.” bearing the registration number 5370126 dated January 2, 2018, the standard character mark “Sourdough & Co.” bearing the registration number 5343030 dated November 21, 2017, and the standard character mark “Naturally Better” bearing the registration number 6042633 dated April 28, 2020, were assigned by Sourdough & Co, Inc. to us on August 9, 2024. You will be licensed to use not only this marks and design, but also all other service marks, trademarks, slogans, logos, and emblems as we may designate for use in connection with the System (collectively, the “Marks” and each a “Mark”).

The word and design marks registered on the principal register of the United States Patent and Trademark Office (referred to as “USPTO”) are owned by World of Sourdough Franchising, LLC, and sublicensed to you. We also claim common law rights in our trademarks based on our prior use. We do not yet have a federal registration for some of our trademarks. Therefore, some of our trademarks do not have many of the legal benefits and rights of a federally registered trademark. If our right to use any of our trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

The following is a description of the principal Trademarks which we will license to you:

<b>Mark</b>	<b>Application Number / Registration Number</b>	<b>Application Date / Registration Date</b>
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<p>The following logo: IC 043: Restaurant Services.</p> 	<p>Registration Number: 6873875</p>	<p>Registration Date: October 11, 2022</p>
<p>The following logo: IC 043: Self-service restaurant Services.</p> 	<p>Registration Number: 5370126</p>	<p>Registration Date: January 2, 2018</p>
<p>IC 043: Take-out restaurant Services.</p> <p><b>SOURDOUGH &amp; CO.</b></p>	<p>Registration Number: 5343030</p>	<p>Registration Date: November 21, 2017</p>
<p>IC 043: Fast casual restaurants featuring sandwiches, salads, and soups.</p> <p><b>NATURALLY BETTER!</b></p>	<p>Registration Number: 6042633</p>	<p>Registration Date: April 28, 2020</p>

All required affidavits have been filed. We do not know of any superior priority rights or infringing uses that could materially affect your use of the principal marks in California or any other state. We are not aware of any presently effective material determinations of the USPTO, Trademark or Trial Board or the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or pending material litigation involving the Marks which may be relevant to their

use in any state.

No agreements limit our rights to use or license the use of the Marks.

You must follow our rules when you use these Marks. You may not use a name or Mark as part of your corporate name or with modifying words, designs, or symbols except for those which we license to you. You may not use our registered name in the sale of unauthorized products or services or in a manner not authorized in writing by us.

We do not know of any effective material determinations of the USPTO, Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor of any pending infringement, opposition or cancellation proceeding or pending material litigation involving our Marks which may be relevant to their use in any state.

There are no infringing uses actually known to us as of the Issuance Date of this Disclosure Document that could materially affect your use of the Marks in the State of California, Texas, or in any other state. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your Business name.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem, or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner, we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must also prominently display in your Business that we are not a joint employer of yours and that you are solely responsible for all employment-related decisions and matters. You must also identify yourself as the owner of your Franchise by placing your name on the Business and on all checks, invoices, receipts, contracts, and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase "A Franchise of World Sourdough Franchising, LLC" or such other phrase as we occasionally direct.

You must notify us immediately when you learn about an infringement or challenge to your use of our Marks. We may then take the action that we think is appropriate. We are not obligated to defend or indemnify you for any infringement claim. However, in the event that we decide to defend, prosecute, or settle any claim related to our Marks, or any of our other intellectual property, we have the exclusive control over any such litigation or proceedings. You must execute any and all documents, and to render such assistance as we may deem reasonably necessary to carry out such defense prosecution or settlement. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

We make no guarantee or warrant of our exclusive right to use any of our Marks or other intellectual property. All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with selling products and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you as described in Item 12.

Franchisor reserves the right to change or modify its Marks at any time, in its sole discretion. Franchisee shall, upon demand by Franchisor, discontinue its use of any Mark and adopt, at Franchisee's sole cost and expense, any replacement name or mark selected by Franchisor, and Franchisor will have no liability to Franchisee, therefore.

The Area Development Agreement does not grant you any rights to use the Trademarks. You derive the right to use the Trademarks only under a franchise agreement.

#### **ITEM 14** **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents that are material to the Franchise. We claim copyright protection in any Written Standards and/or any Manual which we may create, related materials, business forms, and advertisement and promotional materials, although these materials have not been nor may not be registered with the United States Registrar of Copyrights and/or any state governmental authority. The materials are considered proprietary and/or confidential, are considered our property, and may be used by you only as provided in the Franchise Agreement. Although we have not filed an application for copyright registration for our confidential Manual and/or Written Standards, we claim a copyright and the information is proprietary. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion. You must also promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any State.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets or claim by any person of any rights in any copyright or trade secret which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions within 90 days after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain confidential information that includes: our proprietary recipes, sauces, breads, in addition to specific food preparation, presentation and packaging standards; cooking techniques, strategies, methods and procedures; privately labeled products (which are products that display our logo), specifications for all products, supplies and kitchen equipment; purchasing strategies, inventory management systems, vendor and supplier relationships, cost and pricing strategies; procedures for cleanliness, service standards, safety, sanitation and quality control; strategies for site acquisition, build-out and design specifications with unique décor, color scheme and signage; guidelines for hiring, training and retaining employees, proprietary educational platform that houses our videos, training modules and courses (which includes curriculum, lesson plans and workshops) to complement your ongoing training efforts; strategies for executing catering and delivery services, operational procedures, mobile sharing strategies, our Operating Manual and other written materials, photographs of food, video presentations, website, intranet system, third-party software, forms, contracts, record keeping and reporting procedures; proprietary referral, customer acquisition, loyalty and retention programs; social media strategies, advertising, marketing and promotional materials in addition to systems and knowledge of, and experience in, the operation and franchising of a World of Sourdough Franchising, LLC business (collectively, the “Confidential Information”). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions and conventions sponsored by us; in the Operating Manual and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents, or independent contractors develop any new piece of equipment, product, recipe, formula, concept, technique, process, photographs, video presentations, promotions, program or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your WOSD Franchised Business during the term of your Franchise Agreement or Area Development Agreement, and that the use or duplication of the Confidential Information in any other business would constitute unfair competition. You also agree that the Confidential Information is proprietary to us and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of your Franchise Agreement and Area Development Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you and if you are an Entity, any of your Owners, and the use of nondisclosure and non-competition clauses in employment agreements with your employees and Owners, where enforceable under state law.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL  
OPERATION OF THE FRANCHISE BUSINESS**

We do not require that you personally supervise the Franchised Business. However, the Franchised Restaurant must at all times be under the on-site supervision of a manager. This manager may be either you or another individual designated by you and approved by us, in writing. The manager must have successfully completed our initial training program and any other mandatory training programs. The manager must devote his/her best efforts to the operation of the Franchised Restaurant. The manager

may not have an interest in or business relationship with any business competitor of Franchisor, the Franchised Business or any of Franchisor's other franchisees. The manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

If you are an Entity, each of your Owners that holds more than 10% interest in the Franchised Business, and their spouses, must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement. Your spouse must also sign the Guaranty of Obligations.

If you sign the Area Development Agreement, you must develop your Development Territory according to the Development Schedule. We recommend that you (or, if you are an entity, your owners) personally supervise your development of the WOSD Franchised Restaurant. Under the Area Development Agreement your personnel need not have an equity interest in any WOSD Franchised Restaurant or in you. Personnel need not attend our training program. If you are an entity, your owners must sign personal guarantees of your obligations under the Area Development Agreement.

#### **ITEM 16** RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Under the Franchise Agreement, you may only offer and sell the products and services or such other services and goods that we authorize in our Manual, Written Standards, or otherwise in writing. (See Item 8 of this disclosure document.) Your ability to provide certain goods or services may also be conditioned upon you obtaining licensing from your state or local government. (See Item 1 of this disclosure document.) You must conduct the Franchised Restaurant in accordance with our confidential Operating Manual.

Due to the differing nature of markets across the United States, and because the size of each individual Business will vary, you will have a wide variety of possible sites from which to choose to conduct your business operations with our approval. You may not use the Business premises for any purpose other than the operation of a WOSD Business, unless otherwise approved by us in writing.

You must comply with all our standards and specifications relating to the purchase and/or lease, use and sale of all products, kitchen equipment, supplies, furnishings and fixtures, technology items, uniforms, software, signage, and décor items, printed advertising materials and other items to be used, sold, or offered from the Business (See Item 8).

You are required to offer delivery and counter service in combination with approved products and services as specified by us that include but are not limited to: a variety of our prepared signature sandwiches made to order, soups, salads, pasta, non-alcoholic beverages (such as: bottled water, energy drinks, juices, teas, etc.) and a walk-up quick-serve style counter for customers who can choose how their meal is prepared to immediately eat on the premises in addition to offering catering products and services and in conjunction with other food

and beverage-related products or services as expressly authorized by us in writing or in the Operating Manual, or developed by us as a result of your pre-market entry study to meet the needs of your unique market, and any updates to be incorporated in the Operating Manual periodically. You must prepare all products from your Business premises in accordance with our recipes, standards, techniques, processes, and presentation as designated by us. You can also conduct off-site events so long as such off-site events are within your Territory and perform catering and delivery services so long as all products are prepared, and such services are performed from only your Business premises; and all such catering and/or delivery services are provided to persons or businesses within your defined Territory. You may also offer additional products that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such products are used or offered and the time to approve or deny your request is described below. We will respond to a written request by you to approve any product (including any meal package) or service you wish to use or offer within 30 days after we receive it. We may revoke approval in our sole discretion where an approved product or service does not adhere to our standards as specified in the Operating Manual. We will notify you either by email or any other written form of communication of our approval, disapproval, or revocation of any prior approval of any product or service.

You acknowledge that you and other franchisees can sell products and serve anyone who comes from anywhere so long as such products are being prepared from your Business premises and sold either from your Business or off-site events within your Territory and such sales do not result from any Target Marketing (see Item 12). You can sell products and provide catering and delivery services at any prices and/or rates you establish as we will suggest pricing and rate strategy and we may establish minimum and maximum prices and/or rates at which you may sell products and provide services to the extent allowed by federal and state laws. You must discontinue using, selling, and offering for sale any product or service that we may disapprove in writing at any time, whether or not a product being submitted for approval is currently in use. We can and expect to change and/or modify the types of products and services we authorize. There are no limits on our right to do so. We will inform you by email or by any other form of written communication of such changes and/or modifications. You may not use or offer any product or provide any service that has not been specifically approved in writing by us; and you may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any vendor or proprietary product or equipment without our prior written consent.

In addition, you acknowledge that currently we allow you, other franchisees, and company-owned businesses to sell products through an alternative channel of distribution. You can sell the products and services to anyone from anywhere without compensation to other franchise or company-owned businesses so long as all such products are prepared from your Business premises and sold either from your Business or off-site events within your Territory. We may, in our discretion, allow you and other franchisees or company-owned businesses to sell other products and offer catering services and/or delivery services through an alternative channel of distribution (such as on the Internet or Websites) provided you adhere to our standards. You acknowledge that this may create competition and you will not receive any compensation from such sales made by other franchisees or company-owned businesses. If we authorize you to sell other products and offer services through alternative channels of distribution all such products must be sold from your Business or off-site events within your Territory; and all catering and delivery services must be performed from your Business premises and within your defined Territory. You are not authorized to sell any other products or offer any services on the Internet or in any other media, whether now known or hereinafter invented, unless we otherwise approve it (Currently, franchisees are allowed to participate in Facebook and Instagram).

You must participate in any gift certificate or gift card program or rewards program we establish. You may not create or issue your own gift certificates or cards without our prior written consent.

You must maintain proper permits and licenses to operate a WOSD Franchised Business and provide products and services in your area. You must not engage in any trade, practice or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law.

You are encouraged to directly advertise and market to attract business, sell products, serve persons, conduct off-site events, and provide catering services and delivery services to anyone located within your Territory. We place no restrictions upon your ability to sell products, serve customers and perform catering and/or services to anyone so long as all products are being prepared from your Business premises and sold from your Business or off-site events within your Territory; and such services are performed within your Territory. In addition, you may be able to conduct off-site events outside your Territory, perform catering and/or delivery services in other geographical areas outside your Territory under certain circumstances and provided you do so in accordance with our standards (as described in Item 12).

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER  
 AND DISPUTE RESOLUTION**

	<b>Provision</b>	<b>Section in FA/ADA</b>	<b>Summary</b>
a.	Length of franchise term	FA 2.1/ADA 5	10 years. Area Development Agreement’s term ends on the earlier of the date upon which last Franchise Agreement for your last Café under the Development Schedule is signed or is scheduled to be signed.
b.	Renewal or extension of the term	FA 2.2/ADA Not Applicable	If certain conditions are met, you can renew for 2 additional 5-year terms. You may not extend or renew the term of the Area Development Agreement
c.	Requirements for you to renew or extend	FA 2.2ADA Not Applicable	You provide prior notice to us; you are not in default of any agreement with us; you have not received more than 3 written notices of default and/or noncompliance during the preceding term (whether or not subsequently cured or remedied by you); you sign a new franchise agreement and area development agreement with the then- current terms (which may differ from your previous franchise agreement and area development agreement (if applicable)); you pay a renewal fee; you refurbish, remodel and redecorate your Franchised Restaurant to meet then-existing standards; you sign a general release; you comply with then-current qualifications

d.	Termination by you	FA 13.4/ADA 7(C)	FA - If we have materially failed to comply with terms of the FA or Area Development Agreement after 30 days' notice (subject to state law).
e.	Termination by us without cause	Not Applicable	We cannot terminate your FA or Area Development Agreement without cause.
f.	Termination by us with cause	FA 13/ADA 7	FA - We can terminate the FA and ADA if you breach a material provision of the FA and ADA or fail to open the Business.
g.	"Cause" defined – curable defaults	FA 13.2/ADA 7	You have 60 days to cure failure to pay us; non-submission of reports; failure to operate in compliance; understatement of Gross Revenues; breach of any other provision of the Franchise Agreement or related agreement. Under the Area Development Agreement, you have 30 days to cure defaults not listed in (h)
h.	"Cause" defined – defaults that cannot be cured	FA 13.1/ADA 7	<p>Non-curable defaults include: failure to satisfactorily complete training; failure to timely open your Franchised Restaurant (i.e. the earlier of 3 months after you secure your location or 12 months after you sign the Franchise Agreement; failure to maintain continuous operation; bankruptcy or insolvency; failure to comply with applicable laws; unapproved transfers; maintain false books or submit false reports; foreclosure or seizure; unsatisfied final judgment; levy of execution against your assets; material misrepresentation; felony conviction or other unfavorable conduct; repeated defaults even if cured; continued operation is a danger to public health or safety; termination of your lease or foreclosure of your property; repeated defaults even if cured.</p> <p>Non-curable defaults under the Area Development Agreement include failure to meet the Development Schedule, material misrepresentations or omissions, unauthorized use of Confidential Information, conviction of or pleading no contest to a felony, breaching provision that results in material impairment of goodwill, any action that infringes upon, harms or contests rights in Trademarks or goodwill, any dishonest, unethical or illegal conduct which adversely affects World of Sourdough or the Trademarks, unauthorized transfer, any franchise agreement or other agreement relating to a WOSD Restaurant terminates, and bankruptcy related events.</p>

			maintain continuous operation; bankruptcy or insolvency; failure to comply with applicable laws; unapproved transfers; maintain false books or submit false reports; foreclosure or seizure; unsatisfied final judgment; levy of execution against your assets; material misrepresentation; felony conviction or other unfavorable conduct; repeated defaults even if cured; continued operation is a danger to public health or safety; termination of your lease or foreclosure of your property; repeated defaults even if cured.
i.	Your obligations on termination/non-renewal	14.1, 15.3, 15.4/ADA 8	Cease operations; cease use of our name, marks, methods and materials, de-identify; return all confidential materials; delete proprietary software and data; pay amounts due under the Franchise Agreement (including liquidated damages for future amounts due); cancel assumed name(s); maintain insurance; noncompetition; non-solicitation. When the Area Development Agreement terminates all rights granted to you under that agreement terminate.
j.	Assignment of contact by us	FA 12.1/ADA 9(B)	No restriction on our right to transfer or assign.
k.	“Transfer” by you - definition	FA12.2/ADA 9	Includes transfer of any interest in the franchise agreement or Area Development Agreement or change in ownership of franchisee.
l.	Our approval of your transfer	FA12.2/ADA 9	We must approve all transfers of the Franchise Agreement and/or Area Development Agreement, in writing, but will not unreasonably withhold approval.
m.	Conditions for our approval of transfer	12.2(b)/ADA 9	Conditions include: your monetary and other obligations have been satisfied; transferor’s right to receive is secondary to our rights; you sign a general release; if transferee will get less than all of your rights, then transferee will execute documents making transferee jointly and severally liable for all of your obligations; if transferee will get all or a majority of your rights, then transferee will sign a new franchise agreement, area development agreement and related agreements with the then-current terms;

			transferee must complete training, at its own expense; you refrain from disclosing our confidential information; the required transfer fee is
n.	Our right of first refusal to acquire your business	FA 12.4/	We can match any offer.
o.	Our option to purchase your business	No provision	Not applicable.
p.	Your death or disability	FA 12.5	Franchise or ownership must be transferred to us in accordance with our right-of-first refusal unless (a) the transferee meets our standards or retains someone else who meets our standards, and (b) all other conditions of transfer are met.
q.	Non-competition covenants during the franchise term	FA 15.2	You may not engage in or have any interest in any business that is in competition with us.
r.	Non-competition after the franchise is terminated or expires	FA 15.3, 15.4	For 2 years after termination or expiration: no involvement with competing business within 15 miles of the location of your Franchised Restaurant Location or the location of any of our other franchisees; no solicitation of any of your customers or any customer of our other franchisees.
s.	Modification of the Franchise Agreement	FA 18.2/ADA 10(F)	No modifications of the Franchise Agreement, unless signed by both parties.
t.	Integration/merger clause	FA 18.2/ADA 10(D)	Only terms of the Franchise Disclosure Document and Franchise Agreement are binding subject to state law. Notwithstanding the prior sentence, nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document. Any representations made outside of the Disclosure Document or the Franchise Agreement may not be enforceable.

u.	Dispute resolution by arbitration or mediation	FA 16.2/ADA 10(N)	Except for certain claims, all disputes between you and us must be arbitrated by the American Arbitration Association. Any claims by you must be mediated first.
v.	Choice of forum	FA 16.2, 16.5/ADA 10	All arbitration and litigation will be held in Placer County, California (Subject to State law).
w.	Choice of law	FA 16.4/ADA 10	California law applies (Subject to State law).

\* “FA” means the Franchise Agreement and “ADA” means the Area Development Agreement.

**ITEM 18**  
**PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example by providing about possible performance at a particular location or under particular circumstances.

This financial performance representation is based upon the historic monthly profit and loss statement, and gross revenues/sales of the “Affiliate-Owned Outlet” operated by our affiliates in El Dorado Hills, Town Center, California for the period from January 2024 through December 31, 2024, and the Gross Revenue for the “Measuring Period(s),” which cover the periods from January 1, 2024 through December 31, 2024 (FY 2024). Also included are the historic sales revenues of our franchisees for the measuring period of January 1, 2023, through December 31, 2023 (FY 2023), as well as stores open for the 12-month period of January 1, 2024, through December 31, 2024.

Except as discussed in the notes below, the Affiliate-Owned Outlets and franchisees operate in a substantially similar manner to how your Franchised Business will operate. The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following chart.

## Notes Regarding the Tables Below:

1. “Gross Revenue” means the total revenues, receipts, and dollar volume from the sale of all products, services and merchandise sold and booked in connection with the Franchised Business, whether under any of the Marks or otherwise. Gross Revenue is calculated on an accrual basis regardless of whether you have collected payment. Gross Revenue excludes sales taxes added to the sales price and collected from the customer. Third-party fees and payments and uncollected funds are not excluded from Gross Revenue.
2. The actual performance of any outlet will depend on a number of factors specific to the location, including:
  - Any applicable law or regulatory compliance expenses;
  - Rent, interest, and other financing costs for land, buildings, equipment, and inventory;
  - Initial franchise fee and organization costs;
  - Economic conditions of various geographic areas;
  - Competition from a variety of other businesses;
  - Different acquisition, development, construction, and property costs;
  - Cost of equipment;
  - Occupancy expenses such as rent, utilities and property taxes;
  - Labor costs, payroll taxes and laws concerning employees and employee benefits;
  - Different traffic counts, accessibility, visibility, and parking;
  - Different results from advertising;
  - Outlets have been in business for different periods of time in their respective markets;
  - Cost of product and supply costs;
  - Franchise payments including royalties; and
  - Workers’ compensation and insurance coverage.
3. The quick service restaurant industry is highly competitive and affected by, among other things, changes in geographic area, changes in preferences, local, regional and national economic conditions, population trends, and traffic patterns. The performance of your Business will be affected by the region in which you operate, your competitors, and the success you have in marketing and managing your operations.
4. The Affiliate-Owned Outlets operates in El Dorado Hills Town Center, California and Green Valley, El Dorado Hills, California, where the World of Sourdough brand has likely obtained more of a reputation and positive goodwill among the relevant target market (as compared to another region of the United States where there are no other WOSD locations in operation).
5. This Item 19 does not reflect certain pre-opening costs and expenses over the Measuring Periods that you are likely to incur in connection with development of a new Business. See Item 7 for details about pre-opening costs for your Business.
6. You should consult other sources for financial information including your financial, business, and legal advisors in connection with the information provided to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings, and profits.

7. Written substantiation to support the information appearing in this financial performance representation is available to you upon reasonable request.

**Notes Regarding the Affiliate-Owned Outlets and Item 19 Generally:**

The figures in the tables below use the historical information that our affiliate-owned outlets and franchisees provided to us. You should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form, nor have we sought to independently verify their accuracy. Upon your reasonable request, we will provide written substantiation for this financial performance representation.

These and other expenses you incur will affect the net income and cash flow of the outlet.

**Some franchise outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jatinder (Nick) Singh, World of Sourdough Franchising, LLC; 8700 Auburn Folsom Road, Suite 700, Granite Bay, California 95746, or by phone at (916) 509-2495; the Federal Trade Commission; and the appropriate state regulatory agencies.

The gross sales, revenue and expense data presented in our Item 19 is based on information reported to us by franchisees. We have not independently verified this data. Some WOSD franchises have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

This Item 19 includes historical information for all WOSD businesses that have operated for the Measuring Period, January 1, 2024 through December 31, 2024 . Of the 78 franchised owned WOSD outlets and the 2 Affiliate owned WOSD outlets operating at the end of the Measuring Period (this is the total number open as of December 31, 2024), 64 operated for the whole Reporting Period and are included in this Item 19.

**CHART ONE: Overview Chart**

**World of Sourdough Owned or Affiliated Stores**

<b>Store</b>	<b>City &amp; State</b>	<b>Year Opened as WOS</b>	<b>Basic Demographic info as of 2023</b>
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Sourdough #1	El Dorado Hills Town Center, CA	2022 through 2023	As of 2023 With in 3 miles there are 45978 people in 16,140 Households With a medium household income of \$148,961 . This is 1 of 2 Corporate Stores
40 Green Valley	El Dorado Hills, CA	2023	As of 2023 With in 3 miles there are 53,250 people in 16,599 Households With a medium household income of \$155,000.00. This is # 2 of 2 Corporate Stores

**Franchised Stores**

<b>Store</b>	<b>City &amp; State</b>	<b>Year Opened as WOS</b>	<b>Basic Demographic info as of 2023</b>
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03 Lincoln	Lincoln, CA	2016 through 2023	As of 2023 With in 3 miles there are 45,096 people in 16,781 Households With a medium household income of \$93,545
04 Foothills	Roseville, CA	2016 through 2023	As of 2023 With in 3 miles there are 106,384 people in 38,109 Households With a medium household income of \$97,097
05 Howe Ave.	Sacramento, CA	2017 through 2023	As of 2023 With in 3 miles there are 142233 people in 59228 Households With a medium household income of \$71,000

06 Sunrise	Citrus Heights, CA	2017 through 2023	As of 2023 With in 3 miles there are 133222 people in 51379 Households With a medium household income of \$84,000.00
07 Grass Valley	Grass Valley CA	2017 through 2023	As of 2023 With in 3 miles there are 27752 people in 16,14011858 Households With a medium household income of \$84,000.00
08 Folsom	Natoma Station, Folsom, CA	2017 through 2023	As of 2023 With in 3 miles there are 71792 people in 25747 Households With a medium household income of \$112,000.00
09 Rocklin	Rocklin, CA	2018 through 2023	As of 2023 With in 3 miles there are 69,848 people in 25644 Households With a medium household income of \$97,000.00
10 SVS	I Street, Sacramento, CA	2020 through 2023	As of 2023 With in 3 miles there are 137402 people in 62239 Households With a medium household income of \$76,000.00
11 Dublin	Dublin, CA	2018 through 2023	As of 2023 With in 3 miles there are 76977 people in 24262 Households With a medium household income of \$174000.00
12 Travis Blvd.	Fairfield, CA	2018 through 2023	As of 2023 With in 3 miles there are 100302 people in 32512 Households With a medium household income of \$87,000.00
13 N Texas St.	Fairfield, CA	2018 through 2023	As of 2023 With in 3 miles there are 94298 people in 29959 Households With a medium household income of \$103,000.00
14 Zinfandel	Rancho Cordova, CA	2018 through 2023	As of 2023 With in 3 miles there are 81,110 people in 129695 Households With a medium household income of \$87,000.00
15 Walnut Creek	Walnut Creek, CA	2019 through 2023	As of 2023 With in 3 miles there are 115,493 people in 46,177 Households With a medium household income of \$131,000.00
16 Portola	Livermore, CA	2022 and 2023	As of 2023 With in 3 miles there are 79309 people in 28300 Households With a medium household income of \$128,000.00

17 Bicentennial	Sacramento, CA	2019 through 2023	As of 2023 With in 3 miles there are 141,119 people in 56,036 Households With a medium household income of \$73000.00
18 Brentwood	Brentwood, CA	2018 through 2023	As of 2023 With in 3 miles there are 88,787 people in 27,455 Households With a medium household income of \$138,000.00
19 Commerce	Manteca, CA	2019 through 2023	As of 2023 With in 3 miles there are 70309 people in 21789 Households With a medium household income of \$85,000.00
20 San Marcos	San Marcos, CA	2019 through 2023	As of 2023 With in 3 miles there are 62,404 people in 22,013 Households With a medium household income of \$132,000.00
21 Sierra College	Roseville, CA	2019 through 2023	As of 2023 With in 3 miles there are 73,505 people in 27,806 Households With a medium household income of \$132,000.00
22 Woodland	Woodland, CA	2018 through 2023	As of 2023 With in 3 miles there are 37,045 people in 12,048 Households With a medium household income of \$88,000.00
23 Delta Shores	South Sacramento, CA	2019 through 2023	As of 2023 With in 3 miles there are 92,619 people in 29,021 Households With a medium household income of \$80,000.00
24 Placerville	Placerville, CA	2020 through 2023	As of 2023 With in 3 miles there are 18,528 people in 7,687Househols With a medium household income of \$87,000.00
25 Monte Vista Turlock	Turlock, CA	2020 through 2023	As of 2023 With in 3 miles there are 72,414 people in 25,163 Households With a medium household income of \$80,000.00
26 Novato Nave	Novato CA	2019 through 2023	As of 2023 With in 3 miles there are 33,312 people in 12,819 Households With a medium household income of \$118,000.00
27 Showers	Sunny Vale, CA	2020 through 2023	As of 2023 With in 3 miles there are 145,880 people in 57,078 Households With a medium household income of \$156,000.00

28 El Camino	Mountain View, CA	2021 through 2023	As of 2023 With in 3 miles there are 233,182 people in 87,236 Households With a medium household income of \$162,000.00
29 McDowell	Petaluma, CA	2021 through 2023	As of 2023 With in 3 miles there are 65,688 people in 24,976 Households With a medium household income of \$104,000.00
30 Santa Rosa	Santa Rosa, CA	2020 through 2023	As of 2023 With in 3 miles there are 108,220 people in 39,177 Households With a medium household income of \$89,000.00
31 Telegraph	Berkley, CA	2020 through 2023	As of 2023 With in 3 miles there are 216,240 people in 88,165 Households With a medium household income of \$102,000.00
32 Del Paso	Natomas , CA	2021 through 2023	As of 2023 With in 3 miles there are 89,015 people in 31,874 Households With a medium household income of \$98,000.00
33 Atwater	Atwater, CA	2021 through 2023	As of 2023 With in 3 miles there are 46,553 people in 14,724 Households With a medium household income of \$64,000.00
34 Bridge	Yuba City, CA	2021 through 2023	As of 2023 With in 3 miles there are 81,013 people in 27,479 Households With a medium household income of \$69,000.00
35 Rohnert Park	Rohnert Park, CA	2021 through 2023	As of 2023 With in 3 miles there are 57,213 people in 21,571 Households With a medium household income of \$89,000.00
36 Coach	Cameron Park, CA	2022 and 2023	As of 2023 With in 3 miles there are 25,919 people in 10,088 Households With a medium household income of \$108,000.00
37 March Lane	Stockton, CA	2022 and 2023	As of 2023 With in 3 miles there are 117,767 people in 41,239 Households With a medium household income of \$85,000.00
38 Patterson	Patterson, CA	2022 and 2023	As of 2023 With in 3 miles there are 24,000 people in 6538 Households With a medium household income of \$88,000.00

39 Mt. Diablo	Concord, CA	2022 and 2023	As of 2023 With in 3 miles there are 128,188 people in 48,088 Households With a medium household income of \$105,000.00
41 Tracy Blvd	Tracy, CA	2023	As of 2023 With in 3 miles there are 93,833 people in 27259 Households With a medium household income of \$122,000.00
42 Pacifica	Pacifica, CA	2023	As of 2023 With in 3 miles there are 38048 people in 14,270 Households With a medium household income of \$151,849
43 Oakdale	Oakdale CA	2023	As of 2023 With in 3 miles there are 26,686 people in 9,610 Households With a medium household income of \$85,000.00
44 Grant Line	Tracy, CA	2023	As of 2023 With in 3 miles there are 65,940 people in 19,269 Households With a medium household income of \$136,000.00
45 Ukiah	Ukiah, CA	2022 and 2023	As of 2023 With in 3 miles there are 23,303 people in 7,744 Households With a medium household income of \$59,000.00
46 Dale	Modesto, CA	2023	As of 2023 With in 3 miles there are 63,632 people in 20,965 Households With a medium household income of \$82,000.00
47 H St.	Modesto, CA	2023	As of 2023 With in 3 miles there are 142,829 people in 46,315 Households With a medium household income of \$58,000.00
48 Hombres	Windsor, CA	2022 and 2023	As of 2023 With in 3 miles there are 36,936 people in 12,767 Households With a medium household income of \$100,000.00
49 Mountain House	Mountain House	2024	As of 2023 With in 3 miles there are 23,132 people in 5,948 Households With a medium household income of \$162,000.00
50 Bernal	Pleasanton, CA	2024	As of 2023 With in 3 miles there are 70,646 people in 24,664 Households With a medium household income of \$171,000.00

51 Laguna	El Grove, CA	2024	As of 2023 With in 3 miles there are 164,909 people in 51,303 Households With a medium household income of \$103,000.00
52 Eureka	Eureka, CA	2023	As of 2023 With in 3 miles there are 26,591 people in 10,905 Households With a medium household income of \$51,971.00
53 SR Valley	San Ramon, Ca	2023	As of 2023 With in 3 miles there are 66,234 people in 23,981 Households With a medium household income of \$170,000.00
54 Iron Point	Folsom, CA	2022	As of 2023 With in 3 miles there are 39,692 people in 14,971 Households With a medium household income of \$111,000.00
55 Pleasant Hill	Pleasant Hill, CA	2023	As of 2023 With in 3 miles there are 125,4123 people in 56,1733 Households With a medium household income of \$108,000.00
56 Katy Fwy	Houston, Texas	2021 through 2023	As of 2023 With in 3 miles there are 183,136 people in 87,091 Households With a medium household income of \$89,000.00
57 Chandler	Chandler, Arizona	2022 and 2023	As of 2023 With in 3 miles there are 88,266 people in 34,222 Households With a medium household income of \$109,000.00
58 Avondale	Avondale, CA	2022 and 2023	As of 2023 With in 3 miles there are 110,272 people in 33,609 Households With a medium household income of \$70,000.00
59 Via Linda	Scottsdale, Arizona	2024	As of 2023 With in 3 miles there are 56,406 people in 26,132 Households With a medium household income of \$99,000.00
60 Hayden Peak	Scottsdale, Arizona	2022 and 2023	As of 2023 With in 3 miles there are 34,569 people in 15,361 Households With a medium household income of \$119,000.00
61 Ashler Hills	Scottsdale, Arizona	2023	As of 2023 With in 3 miles there are 19,942 people in 8,290 Households With a medium household income of \$138,000.00

62 Vintage Oaks	Novato CA	2023	As of 2023 With in 3 miles there are 48,304 people in 18,750 Households With a medium household income of \$116,000.00
63 Ceres	Ceres, CA	2022 and 2023	As of 2023 With in 3 miles there are 67,676 people in 18,518 Households With a medium household income of \$71,000.00
64 Sonoma	Sonoma, CA	2023	As of 2023 With in 3 miles there are 33,692 people in 13,844 Households With a medium household income of \$101,000.00
65 Danville	Danville, CA	2024	As of 2023 With in 3 miles there are 44,791 people in 16,518 Households With a medium household income of \$195,000.00
66 Dixon	Dixon, CA	2024	As of 2023 With in 3 miles there are 20,755 people in 7,087 Households With a medium household income of \$96,000.00
67 Martinez	Martinez, CA	2024	As of 2023 With in 3 miles there are 115,493 people in 46,177 Households With a medium household income of \$131,000.00
68 San Rafael	San Rafael, CA	2024	As of 2023 With in 3 miles there are 71,388 people in 29,799 Households With a medium household income of \$116,000.00
69 Daly	Daly City, CA	2024	As of 2023 With in 3 miles there are 217,210 people in 67,132 Households With a medium household income of \$119,000.00
70 San Mateo	San Mateo, CA	2024	As of 2023 With in 3 miles there are 78,531 people in 30,232 Households With a medium household income of \$199,000.00
71 Galleria	Roseville, CA	2024	As of 2023 With in 3 miles there are 112,567 people in 41,619 Households With a medium household income of \$97,000.00
71 Galleria	Roseville, CA	2024	As of 2023 With in 3 miles there are 112,567 people in 41,619 Households With a medium household income of \$97,000.00

72 Twelve Bridges	Lincoln, CA	2024	As of 2024 With in 3 miles there are 45,764 people in 17,594 Households With a medium household income of \$104,704.00
73 Centennial	Colorado Spring, CO	2024	As of 2023 With in 3 miles there are 21,369 people in 10,924 Households With a medium household income of \$69,566.00
74 Medford	Medford, OR	2024	As of 2023 With in 3 miles there are 85,100 people in 34,867 Households With a medium household income of \$66,186.00
75 S. Las Vegas	Las Vegas, NV	2024	As of 2023 With in 3 miles there are 57,693 people in 23,012 Households With a medium household income of \$80,992.00
76. Clayton Rd	Concord, CA	2024	As of 2023 With in 3 miles there are 41,118 people in 15,607 Households With a medium household income of \$127,312.00
77. Blossom Valley Plaza	Mountain View, CA	2024	As of 2023 With in 3 miles there are 35,581 people in 15,347 Households With a medium household income of \$184,494.00
78 - Los Banos	Los Banos, CA	2024	As of 2023 With in 3 miles there are 46,776 people in 13,388Househols With a medium household income of \$70,893.00
79 - Salinas	Salinas, CA	2024	As of 2023 With in 3 miles there are 64596 people in 14,056 Households With a medium household income of \$75,715.00
80 - Huntington	Huntington Beach, CA	2024	As of 2023 With in 3 miles there are 58,794 people in 21,315 Households With a medium household income of \$107,877.00

# Chart Two: Corp P&L's

## Sourdough-EDH Operating P & L by Month January - December 2024

	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Total
<b>Income</b>													
4000 Income													
4010 Food Sales	\$74,432.62	\$71,345.08	\$74,180.99	\$86,607.82	\$93,316.04	\$79,026.20	\$73,340.36	\$77,126.26	\$68,705.42	\$75,723.23	\$72,920.61	\$76,528.72	\$923,255.35
<b>Total 4000 Income</b>	<b>\$74,432.62</b>	<b>\$71,345.08</b>	<b>\$74,180.99</b>	<b>\$86,607.82</b>	<b>\$93,316.04</b>	<b>\$79,026.20</b>	<b>\$73,340.36</b>	<b>\$77,126.26</b>	<b>\$68,705.42</b>	<b>\$75,723.23</b>	<b>\$72,920.61</b>	<b>\$76,528.72</b>	<b>\$923,255.35</b>
<b>Total Income</b>	<b>\$74,432.62</b>	<b>\$71,345.08</b>	<b>\$74,180.99</b>	<b>\$86,607.82</b>	<b>\$93,316.04</b>	<b>\$79,026.20</b>	<b>\$73,340.36</b>	<b>\$77,126.26</b>	<b>\$68,705.42</b>	<b>\$75,723.23</b>	<b>\$72,920.61</b>	<b>\$76,528.72</b>	<b>\$923,255.35</b>
<b>Cost of Goods Sold</b>													
5000 Cost of Goods Sold													\$0.00
5010 Food Purchases	\$19,512.36	\$16,893.99	\$20,861.35	\$20,934.50	\$21,721.28	\$17,372.75	\$18,900.45	\$19,127.28	\$16,539.58	\$18,975.67	\$16,553.37	\$18,219.21	\$227,211.79
5020 Produce	\$2,852.41	\$2,229.04	\$2,276.66	\$2,641.47	\$3,018.60	\$2,841.26	\$2,790.53	\$2,694.88	\$2,647.52	\$2,601.89	\$2,643.47	\$2,881.45	\$32,121.18
5030 Beverages - Fountain	\$923.33	\$945.06	\$773.57	\$1,415.00	\$1,339.51	\$1,028.57	\$1,683.30	\$945.48	\$1,307.57	\$935.98	\$1,465.04	\$1,130.57	\$13,892.98
5040 Beverages - Can	\$333.74	\$310.88	\$232.71	\$228.84	\$279.77	\$145.71	\$275.88	\$284.14	\$404.26	\$629.45	\$347.36	\$356.12	\$3,828.86
<b>Total 5000 Cost of Goods Sold</b>	<b>\$23,621.84</b>	<b>\$20,378.97</b>	<b>\$24,146.29</b>	<b>\$25,219.81</b>	<b>\$26,359.16</b>	<b>\$21,388.29</b>	<b>\$23,350.16</b>	<b>\$23,051.78</b>	<b>\$20,898.93</b>	<b>\$23,142.99</b>	<b>\$23,009.24</b>	<b>\$22,587.35</b>	<b>\$277,094.81</b>
5400 Payroll Expenses													\$0.00
5420 Employee Payroll	\$13,409.04	\$12,394.73	\$13,539.23	\$17,205.98	\$17,535.18	\$15,820.95	\$16,886.85	\$15,777.38	\$15,611.60	\$16,603.40	\$17,233.40	\$16,154.80	\$185,982.54
<b>Total 5400 Payroll Expenses</b>	<b>\$13,409.04</b>	<b>\$12,394.73</b>	<b>\$13,539.23</b>	<b>\$17,205.98</b>	<b>\$17,535.18</b>	<b>\$15,820.95</b>	<b>\$16,886.85</b>	<b>\$15,777.38</b>	<b>\$15,611.60</b>	<b>\$16,603.40</b>	<b>\$17,233.40</b>	<b>\$16,154.80</b>	<b>\$185,982.54</b>
<b>Total Cost of Goods Sold</b>	<b>\$37,030.88</b>	<b>\$32,773.70</b>	<b>\$37,685.52</b>	<b>\$42,425.79</b>	<b>\$43,894.34</b>	<b>\$37,209.24</b>	<b>\$39,947.01</b>	<b>\$38,829.16</b>	<b>\$34,510.53</b>	<b>\$39,746.39</b>	<b>\$40,242.64</b>	<b>\$38,742.15</b>	<b>\$463,077.35</b>
<b>Gross Profit</b>	<b>\$37,401.74</b>	<b>\$38,571.38</b>	<b>\$36,495.47</b>	<b>\$44,182.03</b>	<b>\$49,421.70</b>	<b>\$41,816.96</b>	<b>\$33,393.35</b>	<b>\$38,297.10</b>	<b>\$34,194.89</b>	<b>\$35,976.84</b>	<b>\$32,677.97</b>	<b>\$37,786.57</b>	<b>\$460,218.00</b>
<b>Expenses</b>													
5300 Operational Expense													\$0.00
5310 Disposables	\$1,048.41	\$506.07	\$934.90	\$794.37	\$520.62	\$488.56	\$929.77	\$926.06	\$472.73	\$505.26	\$488.06	\$438.88	\$6,033.69
5315 Paper Products	\$1,419.49	\$1,365.13	\$1,732.84	\$2,616.14	\$2,093.67	\$1,895.19	\$1,789.51	\$1,625.69	\$1,773.85	\$2,018.23	\$2,300.86	\$2,359.03	\$22,989.63
5330 Linen Expense	\$251.52	\$836.30	\$289.04	\$639.43	\$289.04	\$289.04	\$433.56	\$289.04	\$350.39	\$144.52	\$289.04	\$289.04	\$4,389.96
5340 Office Supplies	\$236.14	\$236.14	\$126.05	\$126.05	\$13.39	\$13.39	\$9.26	\$9.26	\$15.02	\$60.00	\$168.19		\$628.60
5350 Uniforms	\$20.50	\$20.50	\$479.21	\$37.00	\$144.50	\$126.00	\$132.71	\$18.50	\$129.50	\$339.00	\$359.00	\$74.00	\$1,823.42
<b>Total 5300 Operational Expense</b>	<b>\$2,719.42</b>	<b>\$2,964.14</b>	<b>\$4,089.69</b>	<b>\$4,089.69</b>	<b>\$3,049.22</b>	<b>\$2,808.79</b>	<b>\$3,484.60</b>	<b>\$2,859.29</b>	<b>\$2,744.70</b>	<b>\$2,857.51</b>	<b>\$3,985.15</b>	<b>\$3,160.95</b>	<b>\$37,865.50</b>
5540 Workers Comp Ins			\$263.81	\$210.69	\$210.69	\$210.69	\$210.69	\$210.69	\$210.69	\$390.69	\$210.69	\$210.69	\$3,253.02
5600 Royalties Expense	\$3,198.11	\$2,657.98	\$3,409.06	\$3,230.88	\$3,257.12	\$3,438.08	\$2,802.51	\$2,790.37	\$2,406.07	\$2,254.64	\$2,415.23	\$3,039.89	\$34,899.94
<b>6000 Daily Sales Expenses</b>													\$0.00
6010 DoorDash Commissions	\$2,625.35	\$2,936.38	\$2,844.97	\$3,006.88	\$3,778.46	\$3,127.74	\$1,483.81	\$3,071.73	\$2,338.82	\$3,586.51	\$4,226.95	\$4,141.34	\$37,153.94
6020 DoorDash Adjustments						\$0.00							-\$40.39
<b>Total 6000 Daily Sales Expenses</b>	<b>\$5,811.63</b>	<b>\$5,584.01</b>	<b>\$6,517.24</b>	<b>\$6,448.45</b>	<b>\$8,141.06</b>	<b>\$6,761.51</b>	<b>\$4,497.01</b>	<b>\$6,072.79</b>	<b>\$4,955.58</b>	<b>\$6,231.84</b>	<b>\$6,852.87</b>	<b>\$7,391.92</b>	<b>\$75,286.51</b>
6800 Computer and Internet Expenses	\$488.09	\$491.56	\$491.56	\$520.51	\$462.39	\$491.34	\$491.34	\$491.83	\$513.29	\$481.17	\$481.36	\$481.36	\$5,885.80
6950 Human Resources													\$225.00
<b>Total Cash &amp; Control</b>	<b>\$488.09</b>	<b>\$491.56</b>	<b>\$491.56</b>	<b>\$520.51</b>	<b>\$462.39</b>	<b>\$491.34</b>	<b>\$491.34</b>	<b>\$491.83</b>	<b>\$513.29</b>	<b>\$481.17</b>	<b>\$481.36</b>	<b>\$481.36</b>	<b>\$5,885.80</b>
7000 Insurance Expense													\$0.00
7010 Liability Insurance	\$190.33	\$190.33	\$615.59	\$491.67	\$491.67	\$491.67	\$491.67	\$491.67	\$491.67	\$1,199.03	\$1,202.28	\$1,201.28	\$7,548.86
<b>Total 7000 Insurance Expense</b>	<b>\$190.33</b>	<b>\$190.33</b>	<b>\$615.59</b>	<b>\$491.67</b>	<b>\$491.67</b>	<b>\$491.67</b>	<b>\$491.67</b>	<b>\$491.67</b>	<b>\$491.67</b>	<b>\$1,199.03</b>	<b>\$1,202.28</b>	<b>\$1,201.28</b>	<b>\$7,548.86</b>
7105 Advertising & Promotion	\$786.08	\$1,013.74	\$400.00	\$125.00	\$250.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$3,324.82
7506 Merchant Account Fees	\$2,626.80	\$2,307.85	\$2,213.71	\$2,372.88	\$2,957.43	\$3,372.23	\$2,216.10	\$2,104.20	\$2,231.58	\$1,809.06	\$1,933.23	\$1,982.61	\$28,127.68
<b>Total A &amp; P</b>	<b>\$3,412.88</b>	<b>\$3,321.59</b>	<b>\$2,613.71</b>	<b>\$2,497.88</b>	<b>\$3,207.43</b>	<b>\$3,497.23</b>	<b>\$2,216.10</b>	<b>\$2,229.20</b>	<b>\$2,356.58</b>	<b>\$1,934.06</b>	<b>\$2,088.23</b>	<b>\$2,107.61</b>	<b>\$31,452.50</b>
7560 Furnishings & Equip. < \$5,000													\$333.96
7700 Repairs and Maintenance	\$385.03	\$475.45	\$1,591.55	\$1,361.50	\$3,437.00	\$170.00	\$234.00	\$210.25	\$208.00	\$1,192.01	\$2,592.65	\$230.00	\$12,087.44
8100 Utilities	\$1,810.88	\$1,916.16	\$1,812.38	\$2,110.51	\$2,146.19	\$2,701.08	\$3,041.18	\$3,345.36	\$2,730.64	\$2,675.47	\$2,432.40	\$2,001.98	\$28,724.23
8110 Rent Expense	\$6,058.52	\$6,058.52	\$6,058.52	\$6,058.52	\$7,433.40	\$6,058.52	\$6,058.52	\$6,058.52	\$6,058.52	\$6,058.52	\$6,058.52	\$6,058.52	\$74,078.07
<b>Total Facilities</b>	<b>\$8,254.43</b>	<b>\$8,450.13</b>	<b>\$9,463.40</b>	<b>\$9,530.63</b>	<b>\$13,016.59</b>	<b>\$8,929.60</b>	<b>\$9,333.70</b>	<b>\$9,614.13</b>	<b>\$9,997.16</b>	<b>\$9,926.00</b>	<b>\$11,083.57</b>	<b>\$8,296.50</b>	<b>\$114,889.74</b>
<b>Total Expenses</b>	<b>\$20,876.78</b>	<b>\$21,001.76</b>	<b>\$23,264.14</b>	<b>\$23,556.73</b>	<b>\$28,366.36</b>	<b>\$22,980.14</b>	<b>\$20,514.42</b>	<b>\$21,803.91</b>	<b>\$20,103.98</b>	<b>\$22,674.81</b>	<b>\$25,308.46</b>	<b>\$22,676.62</b>	<b>\$273,133.91</b>
<b>Net Revenue Less Disbaced Expenses</b>	<b>\$16,524.96</b>	<b>\$17,569.62</b>	<b>\$13,231.33</b>	<b>\$20,623.30</b>	<b>\$21,055.34</b>	<b>\$18,836.82</b>	<b>\$12,878.93</b>	<b>\$16,493.19</b>	<b>\$14,090.91</b>	<b>\$13,302.23</b>	<b>\$7,369.51</b>	<b>\$15,107.95</b>	<b>\$187,084.09</b>

### Chart 3 Fiscal Sales

These charts visualize annual and montly sales across all stores open throughout 2024.

This first annual sales chart ranks stores by their assigned number. The bottom of the chart shows gross Annual sales, Avg. annual sales and Avg. monthly sales

Sourdough & Co Store Sales-64 Locations open all of 2024	
Name	Ytd Sales
Sourdough & Co - 01 EDH	\$923,275.42
Sourdough & Co - 02 Auburn	\$385,091.66
Sourdough & Co - 03 Lincoln	\$817,108.21
Sourdough & Co - 04 Foothills	\$759,025.15
Sourdough & Co - 05 Howe Ave.	\$626,509.10
Sourdough & Co - 06 Sunrise	\$759,802.19
Sourdough & Co - 07 Grass Valley	\$938,510.66
Sourdough & Co - 08 Folsom Natoma	\$632,980.16
Sourdough & Co - 09 Rocklin	\$580,307.06
Sourdough & Co - 10 Sac. Valley Station	\$990,603.40
Sourdough & Co - 11 Dublin	\$843,079.60
Sourdough & Co - 12 Travis Blvd.	\$887,571.29
Sourdough & Co - 13 North Texas	\$668,714.79
Sourdough & Co - 14 Zinfandel	\$349,214.12
Sourdough & Co - 15 Walnut Creek	\$872,324.01
Sourdough & Co - 16 Livermore	\$887,162.79
Sourdough & Co - 17 Bicentennial	\$751,678.52
Sourdough & Co - 18 Brentwood	\$1,014,781.38
Sourdough & Co - 19 Commerce	\$770,639.55
Sourdough & Co - 20 San Marcos	\$1,042,027.23
Sourdough & Co - 21 Sierra College	\$809,441.26
Sourdough & Co - 22 Woodland	\$999,764.44
Sourdough & Co - Sac -23 Delta Shore	\$433,970.17
Sourdough & Co - 24 Placerville	\$451,605.62
Sourdough & Co - 25 Monte Vista	\$801,084.08
Sourdough & Co - 26 Novato Nave	\$880,038.53
Sourdough & Co - 27 MT View	\$1,002,845.00
Sourdough & Co - 28 Sunnydale	\$987,489.96
Sourdough & Co - 29 McDowell	\$956,396.59
Sourdough & Co - 30 Santa Rosa	\$971,826.14
Sourdough & Co - 31 Telegraph	\$1,076,473.84
Sourdough & Co - 32 Del Paso	\$751,065.68
Sourdough & Co - 33 Atwater	\$549,666.47
Sourdough & Co - 34 Bridge	\$539,916.96
Sourdough & Co - 35 Rohnert Park	\$393,094.60
Sourdough & Co - 36 Coach	\$560,855.83
Sourdough & Co - 37 March Lane	\$927,283.01
Sourdough & Co - 38 Patterson	\$566,214.30
Sourdough & Co - 39 Mt. Diablo	\$557,610.88
Sourdough & Co - 40 Green Valley	\$387,857.54
Sourdough & Co - 41 Tracy Blvd	\$759,928.04
Sourdough & Co - 42 Pacifica	\$519,896.68
Sourdough & Co - 43 Oakdale	\$682,794.28
Sourdough & Co - 44 Tracy (Grantline)	\$427,723.23
Sourdough & Co - 45 Ukiah	\$607,081.93
Sourdough & Co - 46 Dale	\$861,889.64
Sourdough & Co - 47 H St.	\$759,239.35
Sourdough & Co - 48 Hembree	\$512,275.97
Sourdough & Co - 49 Mountain House	\$443,241.30
Sourdough & Co - 50 Bernal	\$683,552.32
Sourdough & Co - 51 Laguna	\$297,319.81
Sourdough & Co - 52 Eureka	\$660,979.27
Sourdough & Co - 53 SR Valley	\$1,117,987.74
Sourdough & Co - 54 Iron Point	\$529,168.25
Sourdough & Co - 55 Pleasant Hill	\$675,940.74
Sourdough & Co - 56 Houston	\$880,612.00
Sourdough & Co - 57 Chandler	\$761,114.00
Sourdough & Co - 58 Avondale	\$674,145.00
Sourdough & Co - 59 Via Linda	\$450,792.00
Sourdough & Co - 60 Hayden Peak	\$1,000,108.21
Sourdough & Co - 61 Ashler Hills, AZ	\$775,271.00
Sourdough & Co - 62 Vintage Oaks	\$656,342.13
Sourdough & Co - 63 Ceres	\$369,366.90
Sourdough & Co - 64 Sonoma	\$835,725.15
<b>TOTAL ANNUAL SALES</b>	<b>\$46,047,402.13</b>
<b>AVG STORE SALES</b>	<b>\$719,490.66</b>
<b>AVG MONTHLY SALES</b>	<b>\$59,957.55</b>

**Chart Four: Median and Average Sales**

Annual Sales Median	
Sourdough & Co Lowest to highest -64 Locations open all of 2024	
Name	Ytd Sales
Sourdough & Co - 51 Laguna	\$297,319.81
Sourdough & Co - 14 Zinfandel	\$349,214.12
Sourdough & Co - 63 Ceres	\$369,366.90
Sourdough & Co - 02 Auburn	\$385,091.66
Sourdough & Co - 40 Green Valley	\$387,857.54
Sourdough & Co - 35 Rohnert Park	\$393,094.60
Sourdough & Co - 44 Tracy (Grantline)	\$427,723.23
Sourdough & Co - Sac -23 Delta Shore	\$433,970.17
Sourdough & Co - 49 Mountain House	\$443,241.30
Sourdough & Co - 59 Via Linda	\$450,792.00
Sourdough & Co - 24 Placerville	\$451,605.62
Sourdough & Co - 48 Hembree	\$512,275.97
Sourdough & Co - 42 Pacifica	\$519,896.68
Sourdough & Co - 54 Iron Point	\$529,168.25
Sourdough & Co - 34 Bridge	\$539,916.96
Sourdough & Co - 33 Atwater	\$549,666.47
Sourdough & Co - 39 Mt. Diablo	\$557,610.88
Sourdough & Co - 36 Coach	\$560,855.83
Sourdough & Co - 38 Patterson	\$566,214.30
Sourdough & Co - 09 Rocklin	\$580,307.06
Sourdough & Co - 45 Ukiah	\$607,081.93
Sourdough & Co - 05 Howe Ave.	\$626,509.10
Sourdough & Co - 08 Folsom Natoma	\$632,980.16
Sourdough & Co - 62 Vintage Oaks	\$656,342.13
Sourdough & Co - 52 Eureka	\$660,979.27
Sourdough & Co - 13 North Texas	\$668,714.79
Sourdough & Co - 58 Avondale	\$674,145.00
Sourdough & Co - 55 Pleasant Hill	\$675,940.74
Sourdough & Co - 43 Oakdale	\$682,794.28
Sourdough & Co - 50 Bernal	\$683,552.32
Sourdough & Co - 32 Del Paso	\$751,065.68
Sourdough & Co - 17 Bicentennial	\$751,678.52
Sourdough & Co - 04 Foothills	\$759,025.15
Sourdough & Co - 47 H St.	\$759,239.35
Sourdough & Co - 06 Sunrise	\$759,802.19
Sourdough & Co - 41 Tracy Blvd	\$759,928.04
Sourdough & Co - 57 Chandler	\$761,114.00
Sourdough & Co - 19 Commerce	\$770,639.55
Sourdough & Co - 61 Ashler Hills, AZ	\$775,271.00
Sourdough & Co - 25 Monte Vista	\$801,084.08
Sourdough & Co - 21 Sierra College	\$809,441.26
Sourdough & Co - 03 Lincoln	\$817,108.21
Sourdough & Co - 64 Sonoma	\$835,725.15
Sourdough & Co - 11 Dublin	\$843,079.60
Sourdough & Co - 46 Dale	\$861,889.64
Sourdough & Co - 15 Walnut Creek	\$872,324.01
Sourdough & Co - 26 Novato Nave	\$880,038.53
Sourdough & Co - 56 Houston	\$880,612.00
Sourdough & Co - 16 Livermore	\$887,162.79
Sourdough & Co - 12 Travis Blvd.	\$887,571.29
Sourdough & Co - 01 EDH	\$923,275.42
Sourdough & Co - 37 March Lane	\$927,283.01
Sourdough & Co - 07 Grass Valley	\$938,510.66
Sourdough & Co - 29 McDowell	\$956,396.59
Sourdough & Co - 30 Santa Rosa	\$971,826.14
Sourdough & Co - 28 Sunnycal	\$987,489.96
Sourdough & Co - 10 Sac. Valley Station	\$990,603.40
Sourdough & Co - 22 Woodland	\$999,764.44
Sourdough & Co - 60 Hayden Peak	\$1,000,108.21
Sourdough & Co - 27 MT View	\$1,002,845.00
Sourdough & Co - 18 Brentwood	\$1,014,781.38
Sourdough & Co - 20 San Marcos	\$1,042,027.23
Sourdough & Co - 31 Telegraph	\$1,076,473.84
Sourdough & Co - 53 SR Valley	\$1,117,987.74
<b>TOTAL ANNUAL SALES</b>	<b>\$46,047,402.13</b>
<b>AVG STORE SALES</b>	<b>\$719,490.66</b>
<b>AVG MONTHLY SALES</b>	<b>\$59,957.55</b>

Monthly Sales Median	
Sourdough & Co Lowest to highest -64 Locations open all of 2024	
Name	Monthly
Sourdough & Co - 51 Laguna	\$24,776.65
Sourdough & Co - 14 Zinfandel	\$29,101.18
Sourdough & Co - 63 Ceres	\$30,780.58
Sourdough & Co - 02 Auburn	\$32,090.97
Sourdough & Co - 40 Green Valley	\$32,321.46
Sourdough & Co - 35 Rohnert Park	\$32,757.88
Sourdough & Co - 44 Tracy (Grantline)	\$35,643.60
Sourdough & Co - Sac -23 Delta Shore	\$36,164.18
Sourdough & Co - 49 Mountain House	\$36,936.78
Sourdough & Co - 59 Via Linda	\$37,566.00
Sourdough & Co - 24 Placerville	\$37,633.80
Sourdough & Co - 48 Hembree	\$42,689.66
Sourdough & Co - 42 Pacifica	\$43,324.72
Sourdough & Co - 54 Iron Point	\$44,097.35
Sourdough & Co - 34 Bridge	\$44,993.08
Sourdough & Co - 33 Atwater	\$45,805.54
Sourdough & Co - 39 Mt. Diablo	\$46,467.57
Sourdough & Co - 36 Coach	\$46,737.99
Sourdough & Co - 38 Patterson	\$47,184.53
Sourdough & Co - 09 Rocklin	\$48,358.92
Sourdough & Co - 45 Ukiah	\$50,590.16
Sourdough & Co - 05 Howe Ave.	\$52,209.09
Sourdough & Co - 08 Folsom Natoma	\$52,748.35
Sourdough & Co - 62 Vintage Oaks	\$54,695.18
Sourdough & Co - 52 Eureka	\$55,081.61
Sourdough & Co - 13 North Texas	\$55,726.23
Sourdough & Co - 58 Avondale	\$56,178.75
Sourdough & Co - 55 Pleasant Hill	\$56,328.40
Sourdough & Co - 43 Oakdale	\$56,899.52
Sourdough & Co - 50 Bernal	\$56,962.69
Sourdough & Co - 32 Del Paso	\$62,588.81
Sourdough & Co - 17 Bicentennial	\$62,639.88
Sourdough & Co - 04 Foothills	\$63,252.10
Sourdough & Co - 47 H St.	\$63,269.95
Sourdough & Co - 06 Sunrise	\$63,316.85
Sourdough & Co - 41 Tracy Blvd	\$63,327.34
Sourdough & Co - 57 Chandler	\$63,426.17
Sourdough & Co - 19 Commerce	\$64,219.96
Sourdough & Co - 61 Ashler Hills, AZ	\$64,605.92
Sourdough & Co - 25 Monte Vista	\$66,757.01
Sourdough & Co - 21 Sierra College	\$67,453.44
Sourdough & Co - 03 Lincoln	\$68,092.35
Sourdough & Co - 64 Sonoma	\$69,643.76
Sourdough & Co - 11 Dublin	\$70,256.63
Sourdough & Co - 46 Dale	\$71,824.14
Sourdough & Co - 15 Walnut Creek	\$72,693.67
Sourdough & Co - 26 Novato Nave	\$73,336.54
Sourdough & Co - 56 Houston	\$73,384.33
Sourdough & Co - 16 Livermore	\$73,930.23
Sourdough & Co - 12 Travis Blvd.	\$73,964.27
Sourdough & Co - 01 EDH	\$76,939.62
Sourdough & Co - 37 March Lane	\$77,273.58
Sourdough & Co - 07 Grass Valley	\$78,209.22
Sourdough & Co - 29 McDowell	\$79,699.72
Sourdough & Co - 30 Santa Rosa	\$80,985.51
Sourdough & Co - 28 Sunnycal	\$82,290.83
Sourdough & Co - 10 Sac. Valley Station	\$82,550.28
Sourdough & Co - 22 Woodland	\$83,313.70
Sourdough & Co - 60 Hayden Peak	\$83,342.35
Sourdough & Co - 27 MT View	\$83,570.42
Sourdough & Co - 18 Brentwood	\$84,565.12
Sourdough & Co - 20 San Marcos	\$86,835.60
Sourdough & Co - 31 Telegraph	\$89,706.15
Sourdough & Co - 53 SR Valley	\$93,165.65
<b>TOTAL MONTHLY SALES</b>	<b>\$3,837,283.51</b>
<b>AVG. MONTHLY SALES</b>	<b>\$59,957.55</b>

These charts depict median annual sales and orders stores from lowest to highest annual sales. The final chart ranks stores based on their **monthly sales performance**, from lowest to highest. **The four charts on the right focus on median sales** for both annual and monthly periods and average sales both monthly and annually. Each Median chart displays:  
**Lowest sales**  
**Actual median**  
**High sales**  
 Each Average chart displays:  
**Annual Average**  
**Monthly Average**  
 Additionally, the charts provide:  
 The number of stores reaching or exceeding each sales level.  
 The percentage of the total 64 open stores that fall into each category.

Annual Sales Median			
	Low	Median	High
Sales	\$297,320	\$755,351.84	\$1,117,988
Stores that meet or exceed median	64	32	1
% of Total Stores	100.00%	50.00%	1.56%

Monthly Sales Median			
	Low	Median	High
Sales	\$24,777	\$62,945.99	\$93,166
Stores that meet or exceed median	64	32	1
% of Total Stores	100.00%	50.00%	1.56%

Annual Sales Average	
	Average
Sales	\$719,490.66
Stores that meet or exceed median	34
% of Total Stores	53.13%

Monthly Sales Average	
	Average
Sales	\$59,957.55
Stores that meet or exceed median	34
% of Total Stores	53.13%

**Chart Five: KPI and Avg Ticket of corporate affiliated stores and all stores combined**

<b>Sourdough &amp; Co. KPI Info</b>					
<b>Restaurant</b>	<b>PERIOD</b>	<b>SALES</b>	<b># TICKETS</b>	<b>AVG. TICKET</b>	<b>ITEMS PER CHECK</b>
<b>ELDORADO HILLS</b>	<b>2024</b>	<b>\$923,725.00</b>	<b>40459</b>	<b>\$22.83</b>	<b>3.3</b>
<b>HAYDEN</b>	<b>2024</b>	<b>\$1,000,108.00</b>	<b>42999</b>	<b>\$23.26</b>	<b>3.0</b>
<b>GREEN VALLEY</b>	<b>2024</b>	<b>\$387,857.00</b>	<b>16397</b>	<b>\$23.65</b>	<b>3.2</b>
<b>ALL STORES 2024 AVG.</b>	<b>2024</b>	<b>\$25,326,238.69</b>	<b>1,059,849</b>	<b>\$23.90</b>	<b>3.3</b>

**Chart Six: YOY System Growth**

<b>Year</b>	<b>System Store Sales</b>	<b>Number of Franchises end of Calendar Year</b>
2022	\$1,232,147.00	3
2023	\$29,979,242.00	61
2024	\$51,318,198.00	80

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For Years 2022 - 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2022	0	3	+3
	2023	3	61	58
	2024	61	78	+17
Company-Owned / Affiliate-Owned	2022	0	2	+2
	2023	2	2	0
	2024	2	2	0
Total Outlets	2022	0	5	+5
	2023	5	63	+58
	2024	63	80	+17

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners for  
Years 2022 - 2024**

TOTAL TRANSFERS	2022	0
	2023	0
	2024	8

**Table No. 3**

**Status of Franchised Outlets  
for Years 2022 - 2024**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Termination</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of the Year</b>
AZ	2022	0	2	0	0	0	0	2
	2023	2	3	0	0	0	0	5
	2024	5	0	0	0	0	0	5
CA	2022	0	0	0	0	0	0	0
	2023	0	55	0	0	0	0	55
	2024	55	16	0	0	0	0	71
CO	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
NV	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
OR	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
TX	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Total s	2022	0	3	0	0	0	0	3
	2023	3	58	0	0	0	0	61
	2024	61	19	0	0	0	0	80

**Table No. 4**

**Status of Company-Owned or  
Affiliate-Owned Outlets for Years  
2022 - 2024**

	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
TOTAL	2022	0	0	0	0	0	0
	2023	0	2	0	0	0	2
	2024	2	0	0	0	0	2

\* “Company-Owned Outlets” include the non-franchised businesses owned by our affiliates, Food Professionals, Inc. and R & S Foods, Inc. These businesses are not part of the Franchise System. They may be sold to others or to a franchisee in the future.

\*\* Our fiscal year end is Dec 31. As of the date of this Disclosure Document, our affiliate operated two (2) non-franchised businesses at the location listed below:

Food Professionals, Inc.  
4761 Waterstone Dr.  
Roseville, CA 95747

R & S Foods, Inc.  
381 Green Valley Rd.  
El Dorado Hills, CA 95762

**Table No. 5.**

**Projected Openings of Franchised Businesses for 2025 Fiscal Year**

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company- Owned Outlets in the Current Fiscal Year
Arizona	0	2	0
California	36	30	0
Colorado	0	3	0
Nevada	1	2	0

Oregon	0	3	0
Texas	0	3	0
Utah	0	0	0
Washington	3	3	0
TOTAL	40	46	0

A list of the names of all Franchisees and the addresses and telephone numbers of their WOSD business are listed as Exhibit F to this Disclosure Document. A list of the name and last known home address and telephone number of every franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2024 or who has not communicated with us within 10 weeks of our application date is attached as Exhibit F.

If you buy this Franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

At this time, there are no previously owned WOSD franchised outlets for sale.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

At this time there are no trademark specific franchisee organizations representing WOSD franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Our certified, independent, audited financial statements for the period from our date of formation on March 18, 2021, to December 31, 2024, are attached to this Disclosure Document as Exhibit G. Our fiscal year end is December 31.

**ITEM 22**  
**CONTRACTS**

Attached to this disclosure document are the following agreements that you may be required to sign:

- Exhibit "B"      Franchise Agreement and Exhibits
- Exhibit "D"      State Addenda

**ITEM 23**  
**RECEIPTS**

Attached as the last two (2) pages of this disclosure document (Exhibit “J”) are duplicate receipts. Please sign both copies. Retain one copy for your records and return the “Franchisor Copy” to Jatinder (“Nick”) Singh, President, World of Sourdough Franchising, LLC,

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT A:**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF  
PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>California</b>	Department of Financial Protection and Innovation 2101 Arena Blvd Sacramento, CA 95834	Department of Financial Protection and Innovation 2101 Arena Blvd Sacramento, CA 95834 <a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> toll free (866) 275-2677 Ask.Dfpi@dfpi.ca.gov
<b>Hawaii</b>	Franchise & Securities Division State Department of Commerce P.O. Box 40 Honolulu, HI 96813 (808) 586-2722	Director, Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96810
<b>Illinois</b>	Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
<b>Indiana</b>	Franchise Division Office of Secretary of State 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>Maryland</b>	Franchise Office Division of Securities 200 St. Paul Place – 20 <sup>th</sup> Floor Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner Securities Division 200 St. Paul Place, 20 <sup>th</sup> Floor Baltimore, MD 21202-2020
<b>Michigan</b>	Consumer Protection Division Franchise Section P.O. Box 30213 Lansing, MI 48909 (517) 373-7117	Michigan Attorney General Consumer Protection Division 670 Law Building Lansing, MI 48913
<b>Minnesota</b>	Franchise Division Minnesota Department of Commerce 133 East Seventh St. St. Paul, MN 55101 (651) 296-6328	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101
<b>New York</b>	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005-1495 (212) 416-8222	Secretary of State of New York New York Department of State, Division of Corporations 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492

<b>North Dakota</b>	Franchise Division Office of Securities Commission 600 East Boulevard State Capitol – 5 <sup>th</sup> Floor Bismarck, ND 58505	North Dakota Securities Department 600 East Boulevard State Capitol – 5 <sup>th</sup> Floor Bismarck, ND 58505-0510
<b>Rhode Island</b>	Franchise Office Division of Securities 233 Richmond St. – Suite 232 Providence, RI 02903 (401) 222-3048	Director of Department of Business Regulation 233 Richmond Street Providence, RI 02903-4232
<b>South Dakota</b>	Franchise Office Division of Securities 910 E. Sioux Avenue Pierre, SD 57501 (605) 773-4013	Director of South Dakota Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185
<b>Virginia</b>	Franchise Office State Corporation Commission Division of Securities and Retail Franchising 1300 East Main St., 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9276	Clerk of State Corporation Commission 1300 East Main St. 1 <sup>st</sup> Fl. Richmond, VA 23219
<b>Washington</b>	Department of Financial Institutions Securities Division PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Same (or physical address is): 3 <sup>rd</sup> Floor West 210-11 <sup>th</sup> Avenue, S.W. Olympia, WA 98504
<b>Wisconsin</b>	Franchise Office Wisconsin Securities Commission P.O. Box 1768 Madison, WI 53701 (608) 266-3364	Wisconsin Commissioner of Securities 345 West Washington Ave. Madison, WI 53703

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT B:**

**FRANCHISE AGREEMENT AND EXHIBITS**

**WORLD OF SOURDOUGH  
FRANCHISE AGREEMENT**

**BETWEEN**

**WORLD OF SOURDOUGH FRANCHISING, LLC  
FRANCHISOR**

**AND**

---

**FRANCHISEE**

WORLD OF SOURDOUGH  
FRANCHISING, LLC  
FRANCHISE AGREEMENT

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SPECIFIC FRANCHISE TERMS:

General Area; Specific Location; and Trade Name	Exhibit 1
IDENTIFICATION OF FRANCHISEE	Exhibit 2
SERVICE MARKS	Exhibit 3
AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS	Exhibit 4
IRREVOCABLE POWER OF ATTORNEY (Tax Records)	Exhibit 5
IRREVOCABLE POWER OF ATTORNEY (Web Site)	Exhibit 6
IRREVOCABLE POWER OF ATTORNEY (Telephone Number)	Exhibit 7
RESTRICTIVE COVENANT AGREEMENT	Exhibit 8
PERSONAL GUARANTY	Exhibit 9
LEASE ADDENDUM	Exhibit 10
AREA DEVELOPMENT AGREEMENT	Exhibit 11

## **WORLD OF SOURDOUGH FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "Agreement"), is entered and effective this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_ (the "Effective Date"), by and between World of Sourdough Franchising, LLC, a Texas limited liability company with its principal place of business at 8700 Auburn Folsom Rd., Suite 700, Granite Bay, California 95746 (hereinafter, "Franchisor", "we," "us," or "our"), and the following individual(s) or entity \_\_\_\_\_ located at \_\_\_\_\_ (collectively and individually referred to as "Franchisee," "You," "Your," or "Yours"). Franchisee is further identified on Exhibit 2 attached hereto and by this reference incorporated herein.

### **RECITALS**

A. For the purpose of this Agreement, the terms "World of Sourdough" and "WOSD" refer to Franchisor's branded trademark, "World of Sourdough Sandwiches Soups Salads."

B. Franchisor has created and developed and is in the process of further developing a valuable system for the establishment and operation of a distinctive type of sandwich restaurant, which serves the general public (the "System" or the "WOSD System").

C. The System consists of distinctive methods and procedures for operating such a restaurant, utilizing uniform standards, specifications and procedures for operations, equipment, inventory and staffing, the quality and uniformity of services and reporting, training and assistance, and its advertising and promotional programs – all related to the operation of sandwich restaurants, under the name "World of Sourdough" or other related trademarks – some of which are or may be described in the confidential Operating Manual, confidential written standards, and/or confidential instructional materials which Franchisor has created and/or shall create or modify in the future (the "Written Standard(s)" an/or "Manual(s)") for the promotion and operation of Franchisee's franchised restaurant. Franchisor is developing procedures, practices, and training for certain additional concepts related to the operation and promotion of franchised locations (and possibly its own and/or affiliate-owned locations), which may or may not be contained in the Written Standards and/or Manuals.

D. Franchisor and/or its affiliates have registered or obtained the rights to the service marks listed on the attached Exhibit 3 with the United States Patent and Trademark Office, as described in Exhibit 3. As set forth therein, we have the right to use and license/sublicense to you the rights to use such service marks, as well as any derivatives thereof, and certain other logos, designs, trade names, business names, trademarks, and trade symbols (collectively referred to as the "Marks" or the "WOSD Marks"). Any agreements to limit our rights to use or license the use of the Marks are described in Exhibit 3.

E. Franchisor continues to develop, use, and control the use of the Marks in order to identify to the public the source of products and services marketed thereunder and under the System, and to represent the System's standards of quality, appearance, and services.

F. Franchisor has granted and/or will grant to one or more other parties ("WOSD Franchisee(s)") the right and license to operate a franchise and to use the Marks and the System under other franchise agreements.

G. Franchisee understands and acknowledges the importance of Franchisor's standards of quality, service, and appearance, of opening and operating a Franchise in conformity with Franchisor's standards and specifications as presented in Franchisor's then-existing Manual and/or Written Standards and updates, and of preserving the confidentiality of the System.

H. In the event that Franchisee is a legal business entity, Franchisor is only willing to execute this Agreement if each of the owners of the Franchisee holding at least ten percent (10%) ownership interest in Franchisee, and their spouses, executes a Personal Guaranty in the form attached hereto as Exhibit 9.

H. Franchisee will operate its franchised business at a specific location approved by Franchisor (the "Premises").

I. Franchisee desires to purchase and operate a World of Sourdough (sometimes, "WOSD") franchised business in accordance with all of the terms and conditions of this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

## SECTION 1 APPOINTMENT

1.1 Grant of Franchise. Franchisor grants to Franchisee the right, and Franchisee undertakes the obligations, upon the terms and conditions of this Agreement, to establish and operate a sandwich restaurant (hereafter referred to as the "Franchised Location" or "Franchised Restaurant" or "Franchised Business") using Franchisor's System and the right to use in the operation of the Franchised Restaurant the Marks and the System, as they may be changed, improved, and further developed from time to time in Franchisor's sole discretion, only at the Specific Location, as described in Section 1.2 below.

1.2 General Area and Specific Location. You will operate your Franchised Restaurant in the "General Area" described in the attached Exhibit "1." At or before the time you buy or lease the premises for your Franchised Restaurant, the specific address will be added to Exhibit "1" (hereinafter, the "Specific Location"). You must obtain our prior written approval for the site of the Franchised Restaurant. You may not relocate the Franchised Restaurant without our prior written approval as set forth in this Agreement.

1.3 Protected Territory. Except as set forth in Section 1.4, below, during the term of this Agreement, Franchisor promises not to operate itself, nor award to any other party a franchise to operate, a World of Sourdough franchised restaurant within two (2) miles of Franchisee's Specific Location ("Protected Territory"). Franchisee acknowledges that this franchise is non-exclusive and is granted subject to the terms and conditions of Section 8.6 hereof.

1.4. Reserved Rights of Franchisor. Franchisor specifically reserves all rights not expressly granted to Franchisee in this Agreement. Such expressly reserved rights, include, but are not limited to the following.

- (a) We may own, acquire, establish, and operate, and license others to establish and operate, businesses/restaurants substantially similar to the Franchised Restaurant, whether under the Marks or other proprietary marks, at any locations outside the Protected Territory.
- (b) We may own, acquire, establish, and/or operate and license others to establish and operate, businesses under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Protected Territory. As used in this Agreement, "**Non-Traditional Sites**" shall mean outlets that serve primarily the customers located within a facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, office buildings, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), inside other retail establishments (examples include convenience stores and gas stations), and other types of institutional accounts.
- (c) We may offer, sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, any products and/or services which utilize the Marks or other proprietary marks at any location inside or outside the Protected Territory through any other channels of distribution, including other stores, mail order, catalog sales, over the Internet, and retail or governmental/military channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet.
- (d) We may purchase or be purchased by, or merge or combine with competing businesses wherever located, including a chain of company-owned or franchised locations that competes directly with your Franchised Restaurant.
- (e) We may offer franchises in the future, and may have done so in the past, on terms we deem appropriate, including terms that differ from this Agreement.

## SECTION 2 TERM AND RENEWAL

2.1 Initial Term. Except as otherwise provided, the initial term of this Agreement shall be for a period of ten (10) years ("Term"). Such initial Term shall commence on the Effective Date of this Agreement and shall end ten (10) years thereafter (the "Expiration Date").

2.2 Renewal. Franchisee may, at its option, renew the license granted under this Agreement for two (2) additional consecutive terms of five (5) years each, provided that Franchisee complies with the following requirements:

- (a) Franchisee has given Franchisor written notice of its election to renew not less than nine (9) months, but not more than one year, before the Expiration Date;
- (b) Franchisee is not in default under any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement or instrument between Franchisor and Franchisee and has substantially complied with all of the terms and conditions of all such agreements during the respective terms thereof.
- (c) Franchisee has not received more than three (3) written notices of default and/or noncompliance during the preceding term (whether or not subsequently cured or remedied by Franchisee).
- (d) Franchisee executes Franchisor's then current form of franchise agreement and area development agreement, as applicable, which agreement shall supersede in all respects this Agreement, and the terms of which may materially differ from the terms of this Agreement, including, without limitation, different Royalties and different advertising contributions, fees or requirements; provided, however, the agreement offered Franchisee upon renewal shall not require Franchisee to again pay the Initial Franchise Fee required by Section 4 hereof, or its equivalent;
- (e) Franchisee shall pay Franchisor a renewal fee equal to \$10,000 for each term of renewal, paid upon execution of the renewal franchise agreement;
- (f) Franchisee shall refurbish, remodel, and redecorate the Franchised Restaurant, including (without limitation) obtaining new or replacement equipment, to meet the then-existing standards for new franchisees;
- (g) If permitted by the laws of the state in which the Franchised Restaurant is located, Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees, in their corporate and individual capacities; and
- (h) Franchisee shall comply with Franchisor's then current qualification and training requirements, including, without limitation, any training requirements specifically designed for renewing Franchisees.

Notwithstanding the foregoing, Franchisee shall have no right to renew if Franchisor is not offering and selling licenses to new franchisees at the time of the Expiration Date or anytime in the nine (9) months prior to the Expiration Date.

2.3 Continued Operation Following Expiration. Franchisee shall have no right to continue to operate the Franchised Restaurant after the Expiration Date. If Franchisor permits Franchisee to continue to operate the Franchised Restaurant after the Expiration Date, but before the execution by Franchisee of a new Franchise Agreement for a renewal term as required by Section 2.2(d) above, then the temporary continuation of the Franchised Restaurant will be on a month-to-month basis and will be terminable at the will of Franchisor by giving Franchisee written notice of termination at least thirty days before the termination is effective. If the laws of the jurisdiction in which the Franchisee or the Franchised Restaurant are located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction.

### SECTION 3 PREMISES LOCATION & CONSTRUCTION

3.1 Location of Premises. Franchisee shall lease or purchase the premises for the operation of the Franchised Restaurant (as previously defined, the “Premises”). The Premises shall be located in the General Area and at the Specific Location, as set forth in Section 1.2 above.

3.1.1 Prior Approval. Prior to executing a lease for your Premises, you must submit the proposed lease agreement to us for our review and approval, which shall not be unreasonably withheld. However, Franchisee specifically agrees that any review and/or approval by Franchisor is not intended to constitute any sort of legal review or advice for the benefit of Franchisee. Franchisee is strongly encouraged to consult its own legal counsel to review the proposed lease agreement. Additionally, any approval by Franchisor of Franchisee’s proposed lease agreement shall not constitute any sort of advice as to the business terms of such lease or that the location or terms will guarantee or increase the likelihood of Franchisee’s success.

3.1.2 Addendum to Lease. If Franchisee leases the Premises from a third-party (i.e., as opposed to purchasing the Premises), the written lease agreement must contain the lease terms and conditions that we reasonably require, including the terms set forth in the attached Exhibit 10.

3.2 Preparing the Premises. Before commencing any construction of the Franchised Restaurant, Franchisee, at its expense, shall comply, to Franchisor’s satisfaction, with all of the following requirements:

3.2.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor’s approval, preliminary plans, and specifications for site improvement and/or

construction of the Franchised Restaurant based upon prototype plans and/or specifications furnished by Franchisor. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Restaurant, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Restaurant, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Restaurant will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

3.2.2 Franchisee shall comply with all federal, state, and local laws, codes, and regulations, including the applicable provisions of the ADA regarding the construction, design, and operation of the Franchised Restaurant. In the event Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

3.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Premises. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for WOSD Franchised Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of WOSD Franchised Restaurants. Such review is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Restaurant until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. If requested by Franchisor, prior to opening the Franchised Restaurant and prior to renovating the Franchised Restaurant after its initial opening, Franchisee shall execute such documents reasonably requested to certify that any proposed renovations comply with the ADA.

3.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

3.2.5 Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Franchised Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 7 below. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any

contractor retained by Franchisee.

3.2.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

3.2.7 Franchisee agrees to use in the construction and operation of the Franchised Restaurant only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture, and signs that the Franchisor has approved for WOSD Franchised Restaurants as meeting its specifications and standards for quality, design, appearance, function, and performance. Franchisee further agrees to place or display at the premises of the Franchised Restaurant only such signs, emblems, lettering, logos, and display materials that are from time to time approved in writing by Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture, and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by the Franchisor, and/or any such item from any supplier which is not then approved by the Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

3.2.8 Opening Date. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 3.4 below, Franchisee shall construct, furnish, and open the Franchised Restaurant in accordance with this Agreement the earlier of twelve (12) months following the execution of this Agreement or six (6) months after the Specific Location is identified and secured through lease or purchase. Time is of the essence. Franchisee shall provide Franchisor with (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request shall be made no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions, and procedures (including, without limitation, those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the then-existing Manual, Written Standards, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval as to the opening date prior to opening the Franchised Restaurant.

3.3 Force Majeure. As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure shall not include Franchisee's lack of adequate financing.

#### SECTION 4 INITIAL PAYMENTS & FEES

4.1 Initial Franchise Fee. In consideration of the franchise granted here, Franchisee shall pay Franchisor an initial fee (the "Initial Franchise Fee") in the amount of Forty-Nine Thousand Five Hundred Dollars (\$49,500.00). The Initial Franchise fee is due and payable to Franchisor upon the

execution of this Agreement, in consideration of, among other things, the administrative and other expenses incurred by Franchisor in furnishing items to Franchisee as described in Section 6 and for Franchisor's lost or deferred opportunity to franchise to others. The Initial Franchise Fee shall be paid in a lump sum in United States funds and shall be deemed fully earned upon the opening of the Business and is not refundable. Franchisee shall pay the Initial Franchise Fee by cash, cashier's check, or money order.

## SECTION 5 OTHER FEES

5.1 Royalty Fee. During the term of this Agreement, Franchisee shall pay Franchisor a continuing royalty fee ("Royalty Fee" or "Royalty") computed as five percent (5%) of Franchisee's "Gross Revenues" (as defined in Section 5.5 below).

5.1.1 Royalty Fees shall be calculated and paid on weekly basis. Franchisee shall pay all Royalty Fees to Franchisor on or before the Wednesday of each week based upon the Gross Revenues of the preceding week ending on Sunday, unless otherwise provided in the then-existing Manual and/or Written Standards. Franchisee shall also pay Franchisor, in addition to the Royalty Fees payable hereunder, all federal, state, and local sales or use taxes that may be levied or assessed, in whole or in part, against any Royalty Fees payable to Franchisor. Franchisor reserves the right to collect any Royalty Fee from Franchisee by virtue of an automatic withdrawal, or electronic funds transfer, or the like from Franchisee's bank account.

5.2 Advertising Fee. Franchisee shall pay to such national and/or regional advertising funds (collectively, the "Funds") as Franchisor has established or may establish for advertising for the System, a continuing "Advertising Fee" equal to up to three percent (3%) of Franchisee's Gross Revenues.

5.3 Advertising Fees be calculated and paid on a weekly basis. Franchisee shall pay all Advertising Fees to the Funds on or before the Wednesday of each week based upon the Gross Revenues of the preceding week ending on Sunday, unless otherwise provided in the then-existing Manual and/or Written Standards. Franchisee shall also pay Franchisor, in addition to the Advertising Fees payable hereunder, all federal, state, and local sales or use taxes that may be levied or assessed, in whole or in part, against any Advertising Fees payable to Franchisor. Franchisor reserves the right to collect any Advertising Fee from Franchisee by virtue of an automatic withdrawal, or electronic funds transfer, or the like from Franchisee's bank account.

5.4 Website Fee. As discussed in Section 11.8 hereof, Franchisee shall pay to Franchisor a monthly fee, as determined by Franchisor, for creating, updating, maintaining, or hosting any Website established and/or maintained by Franchisor, as set forth in the then-existing Manual and/or Written Standards.

5.5 Late Payment. Franchisee shall pay Franchisor (or the Funds, as the case may be) a late fee of \$100.00 on each Royalty or Advertising Fee payment that is not received by Franchisor within five days after the due date. Any payments that are not received by Franchisor within thirty days after the same become due will bear interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of royalties.

5.6 Gross Revenues. The term "Gross Revenues" means all sales and other income (recognized on an accrual basis), whether cash or credit (regardless of collection in the case of credit),

less (i) refunds and discounts made to customers in good faith and in accordance with Franchisor's policies, and (ii) sales or excise taxes which are separately stated and which Franchisee may be required to and does collect from clients and pays to any federal, state, or local taxing authority.

5.7 Non-Compliance Fees (for Noncompliance and/or Violation of Curable Default Provisions). Franchisee shall pay Franchisor a fee of \$200.00 per violation of material obligation of any operating procedure (as described in the then-existing Manual and/or Written Standards) or any violation of any curable term of default, as described in Section 13.2, within five (5) days of written notice of same. Any payments of such fee(s) that are not received by Franchisor within thirty days after the same become due will bear interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received by Franchisor, regardless of any subordination agreement that may be in effect to postpone payment of royalties.

5.8 Taxes on Amounts Paid to Franchisor. All payments required to be made by Franchisee to Franchisor shall be the gross amount determined according to the applicable paragraph, without deduction for any sales, use, withholding, gross receipts, or other taxes (other than income taxes) that may be levied or assessed on the payments by any state, county, or municipality in which the Franchised Restaurant is located or operates, in which Franchisee resides, or which otherwise possesses the power to tax Franchisee or the Franchised Restaurant.

5.9 Franchisee shall remit to the appropriate taxing authorities all sales, use, withholding, gross receipts, or other taxes (other than income taxes) levied or assessed on amounts paid by Franchisee to Franchisor which would otherwise be due from Franchisor, shall promptly deliver to Franchisor receipts of applicable governmental authorities showing that all such taxes were properly paid in compliance with applicable law, and shall indemnify and defend Franchisor and hold Franchisor harmless from and against all liability for such taxes (including interest and penalties thereon). Franchisee shall fully and promptly cooperate with Franchisor to provide such information and records as Franchisor may request in connection with any application by Franchisor to any taxing authority with respect to any tax credits, including the execution and delivery of a power-of-attorney in the form attached hereto as Exhibit 5, or such other form as Franchisor may prescribe or accept.

5.10 Electronic Funds Transfer. Franchisor may require Franchisee to pay all Royalties, Advertising Fees, interest, late charges, attorney fees, and any other amounts due Franchisor or any affiliate of Franchisor through an electronic depository transfer account established at a national banking institution approved by Franchisor. Within 120 days after the Effective Date and prior to opening the Franchised Restaurant, Franchisee shall establish the electronic depository transfer account and execute and deliver to Franchisor an authorization for electronic funds transfer (in such form set forth in the attached Exhibit 4, or such other form as Franchisor or Franchisee's bank may prescribe or accept) for direct debits from the account. At all times thereafter during the term of this Agreement, Franchisee shall ensure that Franchisor has access to the account for purposes of receiving electronic funds transfer payments, and Franchisee shall comply with procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic funds transfer. Franchisee hereby authorizes Franchisor to initiate debit entries and credit correction entries to the account for payment of Royalty Fees, Advertising Fees, attorney fees, interest, late fees, and other any amounts payable to Franchisor or any affiliate of Franchisor. Franchisee shall make funds available in sufficient amounts to meet its obligations as they become due. Once established, Franchisee may not close the account without Franchisor's consent. If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor is hereby authorized by Franchisee to debit Franchisee's electronic depository transfer account in an amount equal to the amounts payable by Franchisee for the last reporting period for which Franchisor received a Weekly Sales Report. Nothing in this paragraph is to be construed to waive Franchisee's obligations to submit any reports, records or other materials required

by this Agreement.

5.11 Site-Evaluation Fee & Reimbursements. As discussed in Section 6.1.a., at your request, Franchisor will provide an on-site evaluation for up to two (2) proposed Specific Locations, at no charge. However, you may be required to reimburse us our reasonable expenses associated with our trips. The reasonable expenses associated with our trip include the costs of travel, lodging, and meals by our representatives to travel to your proposed location. All staff will travel in coach class. If Franchisee requests additional on-site evaluations, you will be required to submit our then-standard fee for the evaluation, and reimburse us for our costs of travel, as described above.

## SECTION 6 DUTIES OF FRANCHISOR

6.1 Provided that no default of the terms and conditions of this Agreement by Franchisee has occurred, Franchisor shall provide, at such times and in the manner determined by Franchisor in its sole judgment, the following assistance, and services to Franchisee:

- a. Designation of your Specific Location and/or Proposed Area, as provided in Sections 1.2 and 31.
  - i. At Franchisee's request, Franchisor will provide on-site evaluations of two (2) different proposed Specific Locations, at no charge. However, you may be required to reimburse us our reasonable expenses associated with our trip, as set forth in Section 5.9.
  - ii. If Franchisee requests additional on-site evaluations, you will be required to submit our then-standard fee for the evaluation, and reimburse us for our costs of travel, as set forth in Section 5.9.
- b. Use of Franchisor's Marks for the Franchised Restaurant and copyrighted materials, during the term of this Agreement and Area Development Agreement.
- c. Designation of all equipment, supplies, and initial inventory necessary to operate the Franchised Restaurant.
- d. Prototype plans, standard layouts, and/or specifications for the construction of a Franchised Restaurant and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs.
- e. Initial training and opening assistance, for up to eighty (80) hours, for up to two (2) persons, one of which has been approved by Franchisor as the person responsible for the day-to-day operations of the Franchised Restaurant, at your Franchised Restaurant by one of Franchisor's approved training locations. Franchisor will not charge any fee for such training for these two (2) individuals. Such initial training and opening assistance shall be provided during the period of time between the week before you open your Franchised Restaurant and the two weeks after your initial opening.
- f. At our discretion, inspection and approval of the location and facilities of the Franchised Restaurant for opening before the initial opening. (Franchisee may not start operation

of its Franchised Restaurant until Franchisor has provided approval to do so.)

g. Provision of a copy of Franchisor' then-existing Written Standards and/or Manual, on loan for the term of this Agreement (which shall be maintained as confidential and secret by Franchisee).

h. Provision of then-existing trade and operating procedures and methods whether or not set forth in the Written Standards and/or Manuals (which shall be maintained as confidential and secret by Franchisee).

i. A copy of any existing business and reporting forms created by Franchisor for use by Franchisee in its Franchised Restaurant.

j. Approved sources for purchasing supplies, products, equipment, and materials necessary for the operation of the Franchised Restaurant.

k. Periodic assistance to the extent Franchisor deems necessary.

l. Periodic newsletters, bulletins, and such other materials, information and assistance as Franchisor may from time to time deem necessary.

6.2 Software. As discussed in Section 9.9, Franchisor may, but is not obligated to develop and license certain "Software" to Franchisee. In the event that Franchisor develops such Software, Franchisor shall license Franchisee, at a fee to be determined by Franchisor, to use the Software described in Section 9.9 of this Agreement (which may be provided on compact disk or downloaded via a franchisee extranet).

6.3 Any program, training, support, facility, group, meeting, advertising, account, contract, agreement, membership, discount, subscription, license, visitation, consultation, or any other form of assistance in existence at the signing of this Agreement or that may be initiated by Franchisor in the future and not specifically provided for in this Section shall not be an obligation of the Franchisor and may be discontinued or modified at any time in the sole judgment of Franchisor.

## SECTION 7 DUTIES OF FRANCHISEE

7.1 Training. At least one but not more than two (2) persons designated by Franchisee and approved by Franchisor must complete, to Franchisor's satisfaction, Franchisor's initial on-the-job training program described in Section 6.1.e. In connection with the initial training program described in Section 6.1.e. above, Franchisor shall provide and pay for the instructors, and training materials utilized in such training. Additionally, Franchisee shall be responsible for all other expense incurred by Franchisee or its trainees, including, without limitation, the cost of travel, room, board, and wages. If Franchisee (or Franchisee's designee) fails to complete the initial training program to the satisfaction of Franchisor, then Franchisor may terminate this Agreement, without refund of any money paid by Franchisee. At least one person but not more than two persons designated by Franchisee, who has been approved by Franchisor as the person responsible for the day-to-day operation of the Franchised Restaurant, also shall attend and complete, to Franchisor's satisfaction, any additional training programs as Franchisor may reasonably require from time to time. Franchisor may charge Franchisee a fee for any additional training, in an amount set forth in the then-existing Manual and/or Written Standards. In connection with such training, Franchisee shall be responsible for all expenses incurred by Franchisee or its designees, including, without limitation, the cost of travel, room, board and wages, and any training fee charged by Franchisor.

7.2 System Standards. Franchisee acknowledges and agrees that every detail of the System is important, not only to Franchisee but also to Franchisor and other WOSD Franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services sold by all franchisees, to establish and maintain a reputation for operating uniform, efficient, high quality locations, and to protect the goodwill of all WOSD company-owned, affiliate-owned and franchised restaurants/businesses. Franchisee further acknowledges and agrees that a fundamental requirement of the System, this Agreement, and other WOSD company-owned, affiliate-owned, and franchised locations is adherence by all franchisees to the uniform specifications, standards, operating procedures, and rules prescribed by Franchisor for the development and operation of the Franchised Restaurant (hereafter referred to as "System Standard(s)"). Accordingly, Franchisee agrees to comply with each and every System Standard, as periodically modified and supplemented by Franchisor in its sole and absolute discretion, during the term of this Agreement. Franchisee further agrees that System Standards prescribed from time to time in the then-existing Manual and/or Written Standards, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement. Any references to this Agreement include all System Standards as periodically modified.

7.3 Products and Services. Franchisee shall offer and sell all products and services, and only those products and services authorized by Franchisor and specified in the then-existing Manual and/or Written Standards or as designated in writing by Franchisor ("Permitted Products and Services"). Franchisor may unilaterally add and delete products or services to or from the Permitted Products and Services at any time. Franchisor may also designate any products or services as optional.

7.4 Fixtures and Furnishings. Franchisee shall purchase and install, at Franchisee's expense all fixtures, furnishings, signs, computer software, and other equipment as may be specified by the System Standards from time to time and shall not permit the installation of any fixtures, furnishings, signs, software, or equipment not conforming to the System Standards.

7.5 Supplier Approval. Franchisee shall purchase all signs, equipment, food, non-alcoholic drinks, inventory, supplies, and other products, materials, and services required for the operation of the Franchise solely from suppliers (including manufacturers, distributors, wholesalers, and brokers) who have been approved or designated by Franchisor. Franchisor will base its approval of suppliers upon a variety of factors, including their ability to meet Franchisor's then-current standards and specifications, their quality controls, their capacity to supply Franchisee's needs promptly and reliably, and their prices. Franchisee recognizes that because of price discounts, benefits or other legitimate sales incentives, Franchisor may require Franchisee to participate with Franchisor or other WOSD Franchisees when purchasing certain items, products, or services to be sold or utilized in the Franchised Restaurant. If Franchisee desires to purchase any item from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval or shall request the supplier itself to do so. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at Franchisee's option, either to Franchisor or to an independent certified laboratory designated by Franchisor, for testing. Franchisee will reimburse Franchisor for the reasonable cost of all evaluation and testing of such suppliers and/or their products. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of the Franchisor's criteria.

7.5.1 No Warranties by Franchisor/Affiliates. FRANCHISOR, AND ITS AFFILIATE(S), DISCLAIM ALL WARRANTIES, EXPRESS OR IMPLIED, WITH

RESPECT TO ANY AND ALL GOODS AND/OR SERVICES PROVIDED BY ANY APPROVED SUPPLIER, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Consideration from Approved Suppliers. Franchisee acknowledges and agrees that Franchisor and/or its Affiliate(s) may receive fees, commissions, rebates, or other consideration from approved suppliers based upon sales to Franchisee. For the last fiscal year 2024 we received \$165,058.45 in allowances, rebates, and commissions from vendors for required purchases representing 5.9% of our total gross revenue of \$2,789,607.00.

7.6 Business Operation. Franchisee may not start operation of its Franchised Restaurant until Franchisor has provided approval to do so. After opening, Franchisee shall maintain the Franchised Restaurant in continuous operation during the term of this Agreement. Franchisee shall not use or permit the use of the Premises on which the Franchised Restaurant is located for any other purpose or activity other than the operation of the Franchised Restaurant without first obtaining the written consent of Franchisor. The Franchised Restaurant must at all times be under the direct “on-premises” supervision of a manager designated by Franchisee. The manager may be Franchisee or a person who has been approved in writing by Franchisor and who has successfully completed Franchisor’s initial training program and any other mandatory training programs. Such manager must devote his or her full time and energy to the operation of the Franchised Restaurant. Such manager may not have an interest in or business relationship with any other restaurant, or with any business competitor of World of Sourdough Franchising, LLC, the Franchised Restaurant, or any of our other franchisees. The manager must sign a written agreement requiring the maintenance of confidentiality and non-competition, in a form substantially similar to Exhibit 8, attached hereto.

7.7 Payment of Liabilities and Taxes. Franchisee shall at all times pay its distributors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such persons become due, and pay all taxes on real and personal property, leasehold improvements and fixtures, and all sales, use, income, payroll, and other taxes promptly when due, and shall hold Franchisor harmless therefrom. All taxes shall be paid directly to the appropriate taxing authority prior to the delinquent date. If Franchisee shall fail to pay any such obligations promptly as the debts to such persons or entities become due or if any taxes become delinquent, Franchisor may, in addition to its other remedies provided in this Agreement, without being obligated to do so, pay any obligation or tax and any late charges, interest, and penalties thereon, and Franchisee shall, upon demand, reimburse Franchisor for any sums Franchisor has paid, together with interest at the rate of 18% per annum, or the maximum rate permitted by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement.

7.8 Records. Franchisee shall maintain and preserve, for at least six years after the date of their preparation, full, complete, and accurate books, and records of account, prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the then-existing Manual, Written Standards or otherwise in writing. In connection with its maintenance of such accounts and records, Franchisee, at its expense, shall:

- (a) Submit to Franchisor, on or before the Wednesday of each week, a weekly sales report in the form prescribed by Franchisor (“Weekly Sales Report”), and certified by Franchisee or by the Designated Individual, accurately reflecting Franchisee’s Gross Revenues during the preceding week ending on Sunday (unless otherwise provided in the then-existing Written Standards), and such other data or information as Franchisor may require;
- (b) Submit to Franchisor, within ninety days after the end of each calendar year, an income

statement certified by Franchisee or by the Designated Individual as accurately reflecting the results of operations of the Franchised Restaurant for the preceding calendar year, together with such other information as may be prescribed or requested by Franchisor.

(c) Submit to Franchisor, within ninety days after the end of each calendar year, copies of all statements relating to each account for the preceding calendar year (for purposes of this subsection, the term “account” includes any checking, savings, or other account with any bank, savings and loan, credit union, or other financial institution, to or from which receipts or expenses of the Franchised Restaurant have been deposited or paid);

(d) Submit to Franchisor signed copies of the federal income tax return for the previous tax year, as filed with the Internal Revenue Service, of Franchisee and of any Principal who holds an ownership interest in Franchisee of 50% or more, on or before April 30<sup>th</sup> of each year, or, if the taxpayer has received an extension of time to file and Franchisee submits to Franchisor a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, by April 30<sup>th</sup> then within fifteen days after the final due date for such return, but in no event later than October 30<sup>th</sup> of each year;

(e) Submit to Franchisor, within ten days after request, such other forms, reports, bank statements, client files, records, information, and data as Franchisor may reasonably request;

(f) Use only the chart of bookkeeping accounts prescribed by Franchisor in the then- existing Manual and/or Written Standards or otherwise communicated to Franchisee;

(g) Implement such procedures as Franchisor may require automating the reporting of financial information and the payment of recurring fees by Franchisee pursuant to this Agreement, including, but not limited to, Internet or intranet reporting; and purchase and install such equipment as Franchisor may require to accomplish such automation and pre- authorization of electronic funds transfer or bank debit; and

(h) At times during the term of this Agreement and for a period of three years after the termination or expiration of this Agreement permit Franchisor or its designated agents at all reasonable times to examine at Franchisor’s expense and at Franchisor’s office or such other location as Franchisor may select Franchisee’s books and records of account bank statements, canceled checks, client files, federal state, and local income tax, sales and use tax, and payroll tax returns, and any other information or records pertaining to the Franchise or which Franchisee is required to maintain under this agreement (hereafter referred to as Franchisee’s “Business Records”) If, as a result of any inspection, Franchisor determines that Franchisee has understated its Gross Revenues (as defined in Section 5.5 above) in any report to Franchisor, then Franchisee shall immediately pay the Royalty and Advertising Fee payable on the amount of the understatement, plus the late fee and interest imposed by Section 5.4 above. In addition, if, as a result of any inspection, Franchisor determines that Franchisee has understated its Gross Revenues by 5% or more for any reporting period, or if an inspection is prompted by Franchisee’s failure to maintain any records or to timely submit any report or other information required by this Agreement, then Franchisee shall reimburse Franchisor for all costs and expenses of the inspection (including, without limitation, wages paid by Franchisor to its employees, travel expenses, and reasonable accounting and legal fees). The foregoing remedies are in addition to any other remedies Franchisor may have under this agreement or at law or in equity. Franchisor may also, at all times during the term of this Agreement and for a period of three years after the termination or expiration of this Agreement, retain an independent party to audit Franchisee’s

## Business Records.

The terms of this Section 7.8 shall survive the expiration, termination, or cancellation of this Agreement.

### 7.9 Indemnity and Insurance.

7.9.1 Franchisee shall indemnify, hold harmless and defend Franchisor against and from all fines, proceedings, claims, demands or actions of any kind or nature and from anyone whomsoever arising out of or otherwise connected with Franchisee's operation of the Franchised Restaurant (excluding, however, liabilities caused by (i) Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's gross negligence or intentional misconduct). This provision shall survive the expiration, termination, or cancellation of this Agreement.

7.9.2 Franchisee shall, prior to the opening of its Franchised Restaurant and thereafter at all times during the entire term of this Agreement, at its own expense, keep in force by advance payment of premium:

- (a) All-Risk Insurance on all furniture, fixtures, equipment, supplies, and other property used in the operation of the Franchised Restaurant, for their full replacement cost.
- (b) Commercial General Liability Insurance covering claims for bodily and personal injury, death, and property damage with a minimum per occurrence limit of \$1,000,000 and a minimum general aggregate limit of \$1,000,000;
- (c) Automobile Liability Insurance for owned, hired, and non-owned vehicles with a minimum combined single limit of \$1,000,000;
- (d) Employee Dishonesty Insurance with a minimum limit of \$10,000;
- (e) excess umbrella policy insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage;
- (f) personal property insurance in the minimum amount of \$150,000 coverage; and
- (g) Worker's Compensation Insurance as required by the law of the state in which the Franchised Restaurant operates.

Franchisee shall maintain such other insurance as may be required by statute or rule of the state or locality in which the Franchised Restaurant is located and operated, and as may be required by any lease to which Franchisee is a party. All policies of insurance that Franchisee is required to maintain hereunder shall contain a separate endorsement naming Franchisor as an additional insured and shall provide for a 30-day advance written notice to Franchisor of cancellation. No policy of insurance or type of coverage shall have a deductible of more than \$10,000. All insurance shall be placed with an insurance carrier or carriers approved by Franchisor and shall not be subject to cancellation except upon ten days written notice to Franchisor. All policies of insurance, certifications of insurance with a copy of the original policy attached, showing full compliance with the requirements of these covenants, shall at all times be kept on deposit with

Franchisor. If Franchisee fails to comply with these requirements, Franchisor may, but is not obligated to, obtain the required insurance, and keep it in force and effect, and Franchisee shall pay Franchisor, upon demand, the cost thereof, together with interest thereon at the rate of 18% per annum, or the highest rate allowed by law, whichever is less. Neither Franchisee nor any agent or employee of Franchisee may open the Franchised Restaurant to the public, provide any services, sell any products, or represent that the Franchised Restaurant is open for business until Franchisee complies with the requirements of this section. Franchisor, upon not less than thirty days written notice to Franchisee, may reasonably increase the minimum coverage for any insurance required hereunder, decrease the maximum deductible, or require different or additional kinds of insurance coverage to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. Franchisee shall not operate the Franchised Restaurant at any time that Franchisee is not in compliance with all of the requirements of this paragraph. The terms of this paragraph shall survive the expiration, termination, or cancellation of this Agreement.

7.10 Non-Individual Franchisee. If Franchisee is other than an individual, it shall comply with all of the following requirements before the Effective Date.

(a) Franchisee shall be newly organized and its articles of incorporation or organization, by-laws, partnership agreement, or operating agreement shall provide that its activities are confined exclusively to operating the Franchised Restaurant.

(b) Franchisee shall have provided Franchisor with written information as to each shareholder, member, or partner of Franchisee ("Principal"), and the interest of each, on Exhibit 2 hereto, and shall promptly notify Franchisor of any changes in any such information during the term of this Agreement.

(c) All Principals of Franchisee shall enter into an agreement, in a form satisfactory to Franchisor unconditionally guaranteeing the full payment and performance of Franchisee's obligations to Franchisor.

(d) Each ownership certificate of Franchisee shall have conspicuously endorsed upon its face the following legend: "*The transfer, sale or pledge of this certificate is subject to the terms and conditions of a Franchise Agreement with World of Sourdough Franchising, LLC.*" If Franchisee is a partnership or limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms of this Agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this Agreement.

(e) Copies of Franchisee's articles of incorporation or organization, by-laws, partnership agreement, operating agreement, as the case may be, and other organizational documents, including the resolutions of its Principals or governing board authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval.

(f) Franchisee's name shall not consist of or contain the words "World of Sourdough," "WOSD," any variations thereof, or any other mark in which Franchisor or its affiliates have or claim a proprietary interest.

7.11 Compliance with Law. Franchisee shall comply with all laws, regulations and requirements of federal, state, municipal, and other governmental entities and agencies (including, without limitation, fictitious or assumed name statutes, relevant health and safety laws, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, Anti-Terrorism Laws [as more fully described in Section 7.20] and any other federal, state or local employment laws), and obtain and maintain any and all licenses and permits required by any governmental agencies or otherwise necessary to conduct the Franchised Business in any jurisdiction in which it operates. Franchisee agrees and acknowledges that Franchisee alone shall be responsible for compliance with the obligations under this paragraph, and that Franchisor shall have no obligation with respect to Franchisee's compliance under this paragraph. In connection with its obligation under this paragraph, Franchisor hereby consents for Franchisee to disclose to Franchisee's legal counsel, for the purpose of ensuring compliance with and enforceability under federal, state, and local law, any and all forms, agreements and other documents provided by Franchisor for use in the Franchised Restaurant.

7.12 Customer Dispute Resolution. Franchisee acknowledges that client satisfaction is essential to Franchisee's success as well as the reputation and success of the Marks, the System, and other of Franchisor's company-owned, affiliate-owned, and franchised locations. Accordingly, Franchisee agrees to: (i) use its best efforts to ensure the satisfaction of each of Franchisee's customers; (ii) use good faith in all dealings with clients, potential clients, referral sources, suppliers and creditors; (iii) respond to customer complaints in a courteous, prompt, and professional manner; and (iv) use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner. If Franchisee fails to resolve a dispute with a customer, for any reason whatsoever, Franchisor, in its sole discretion and for the sole purpose of protecting the goodwill and reputation of the Marks, may (but shall not be obligated to) investigate the matter and require Franchisee to take such actions as Franchisor deems necessary or appropriate to resolve the dispute fairly and promptly. Nothing contained in this Section, or any other provision of this Agreement shall be construed to impose liability upon Franchisor to any third party for any action by or obligation of Franchisee.

7.13 Designated Individual. If Franchisee is other than an individual, prior to beginning the initial training program described in Section 7.1, Franchisee shall designate, subject to Franchisor's reasonable approval an individual (the "Designated Individual") who shall be responsible for general oversight and management of the operations of the Franchised Restaurant on behalf of Franchisee. The Designated Individual must attend and successfully complete the initial training program and such other training programs as Franchisor may from time to time require during the term of this Agreement. Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Individual to have been given, by Franchisee, decision-making authority, and responsibility regarding all aspects of the Franchised Restaurant. In the event that the person designated as the Designated Individual dies, becomes incapacitated, leaves Franchisee's employ, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Restaurant, Franchisee shall promptly designate a new Designated Individual, subject to Franchisor's reasonable approval.

7.14 Communication and Information System. To ensure the efficient management and operation of the Franchised Restaurant and the transmission of data to and from Franchisor, Franchisee, at its own expense, shall install, prior to opening the Franchised Restaurant, and shall maintain and utilize during the term of this Agreement, such Communication and Information System as may be specified by the System Standards from time to time, including those requirements set forth in Section 9, below.

7.14.1 As used in this Agreement, the term "Communication and Information System" means: hardware (including, without limitation, one or more computers and/or other computer components); software designed for the management and operation of the Franchised Restaurant, as well as reporting and sharing information with Franchisor; point of sale equipment and

software; and communication systems (including, without limitation, digital and analog modems, satellite, cable, and other systems).

7.14.2 Franchisee shall lease and/or purchase its Communication and Information System only from such vendor or supplier that Franchisor has approved in writing pursuant to the provisions of Section 7.5 above. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the Communication and Information System.

7.14.3 Franchisee shall upgrade and update its Communication and Information System in the manner, specified by Franchisor in writing, in accordance with Section 9 below.

7.14.4 Franchisee shall have the sole and complete responsibility for the manner in which Franchisee's Communication and Information System interfaces with other systems, including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's Communication and Information System is not properly operated, maintained, and upgraded.

7.14.5 Franchisee shall maintain at least one dedicated telephone line for use exclusively by the Franchised Restaurant. Each telephone line shall have service features as may be required by Franchisor in the then-existing Manual and/or Written Standards or otherwise communicated to Franchisee from time to time. Franchisor may require Franchisee to provide a full-time employee or answering service to answer Franchisee's telephone during regular business hours. All lines shall be operational and functional prior to opening the Franchised Restaurant and thereafter at all times during the term of this Agreement. The telephone number for the Franchised Restaurant must be listed in a white-pages telephone directory and a yellow-pages listing, in accordance with Franchisor's requirements, under the Trade Name and an address or other location within Franchisee's Territory. The costs of such listing shall be borne solely by Franchisee.

7.14.6 Prior to opening the Franchised Restaurant and thereafter at all times during the term of this Agreement, Franchisee shall obtain and maintain a standard e-mail account that is capable of receiving and sending attached files of a size as may be specified by Franchisor in the then-existing Manual and/or Written Standards or otherwise communicated to Franchisee from time-to-time, along with Internet connection via a commercial Internet service provider.

7.15 Annual Meeting. Franchisee (or if Franchisee is other than an individual, the Designated Individual), at least biennially, must attend a national meeting of WOSD Franchisees at a location designated by Franchisor. Franchisee shall be responsible for any and all expenses incurred to attend such meetings, including, without limitation, costs of transportation, lodging, and meals. Franchisor reserves the right to charge Franchisee a reasonable fee for such meetings. This provision will not be construed to require Franchisor to hold, provide, sponsor, host, or organize any such meeting.

7.16 Covenants of Employees and Agents. Franchisee shall require each of its management employees (except those individuals required to execute a Restrictive Covenant Agreement pursuant to Section 15.10 below), at the time of the commencement of their association with Franchisee, to execute an "Engagement Agreement" containing provisions:

(a) requiring that all proprietary or confidential information that may be acquired by or imparted to the person in connection with their association with Franchisee (including, without

limitation, the then-existing Manual or Written Standards, any proprietary software provided by Franchisor, and all information contained therein) be held in strict confidence and used solely for the benefit of Franchisee or Franchisor during their association with Franchisee and at all times thereafter;

(b) prohibiting the person, during their association with Franchisee, from diverting or attempting to divert any business or customer or client of the Franchised Restaurant or of any other WOSD Franchisee to any competitor, by direct or indirect inducement or otherwise;

(c) prohibiting the person, during their association with Franchisee, from doing or performing, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks and the System;

(d) prohibiting the person, during their association with Franchisee, from employing or seeking to employ any person who is at that time employed by Franchisor, Franchisee, or any other WOSD Franchisee, or otherwise directly or indirectly inducing or attempting to induce such person to leave his or her employment; and

(e) prohibiting the person, during their association with Franchisee and for a continuous period of two years (or the maximum period permitted or enforced by the laws of the state in which the Franchised Restaurant is located, if such period is less than two years, but in no event less than six months) after the termination of their association with Franchisee, from operating, owning, maintaining, promoting, engaging in, or performing services for (as an employee or otherwise) any business offering products or services competitive with those offered by the Franchised Restaurant.

Franchisee shall provide Franchisor with executed copies of Engagement Agreements required by this Section. Franchisee may not grant any person enumerated above access to any confidential aspect of the System or the Franchised Restaurant prior to their execution of an Engagement Agreement. All Engagement Agreements required by this Section must be in a form satisfactory to Franchisor and must specifically identify Franchisor as a third-party beneficiary with the independent right to enforce the agreement. Franchisee's failure to obtain the execution of all Engagement Agreements required by this Section and provide copies thereof to Franchisor is a material breach of this Agreement.

7.17 Maintenance of Premises. Franchisee shall maintain the Franchised Restaurant and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

7.18 Ongoing Upgrades and Refurbishments. Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the then-existing Manual and/or Written Standards or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

7.19 Five-Year Refurbishment and Renovations. At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the Franchised Restaurant design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new WOSD Franchised Restaurants. Such refurbishment may include structural changes,

installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

7.20. Compliance with Anti-Terrorism Laws. Franchisee and its owners must comply with and/or assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each of its owners certify, represent, and warrant that none of its/their property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that Franchisee and each of its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee and each of its owners certify that none of them or their respective employees, or anyone associated with Franchisee or each of its owners is listed in the Annex to Executive Order 13224 at <http://www.treasury.gov/office/enforcement/ofac/sanctions/terrorism/html>. Franchisee and each of its owners agrees not to hire (or, if already employed, retain the employment of) any individual is listed in the Annex.

(a) Franchisee and each of its owners certify that they have no knowledge or information that, if generally known, would result in Franchisee or its owners, or their employees, or anyone associated with Franchisee or its owners to be listed in the Annex to Executive Order 13224.

(b) Franchisee is solely responsible for determining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that the indemnification responsibilities set forth in this Agreement pertain to Franchisee’s obligations under this Section 7.20 (a) through (e).

(c) Any misrepresentations under this Section 7.20 or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with us or any of our affiliates, without any right to cure.

(d) “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances regulations, policies, lists and any other requirements of any governmental authority (including without limitation the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the United States) addressing or in any way relating to terrorist acts and/or acts of war.

7.21 Mystery Shopper Programs. Franchisor may designate an independent evaluation service to conduct a “mystery shopper” quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised WOSD Franchised Restaurants. Franchisee agrees that the Franchised Restaurant will participate in such mystery shopper program, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised WOSD Franchised Restaurants also participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Restaurant, and Franchisee agrees that it shall promptly pay such charges.

## SECTION 8

## INTELLECTUAL PROPERTY

8.1 Use by Franchisee. Franchisee's right to use proprietary recipes, the WOSD Marks, any software which may be provided by Franchisor, other materials in which Franchisor claims a copyright, trademark, or other right to exclusive use, trade secrets, and other intellectual property (hereafter collectively referred to as "Intellectual Property") as granted in this Agreement is limited to their use in connection with the operation of the Franchised Restaurant at the Specific Location described in Section 1.2 hereof, and otherwise as described herein and as set forth in the then-existing Manual and/or Written Standards, in a separate license agreement, or as may be prescribed in writing by Franchisor from time to time. Franchisee shall use only the name listed on Exhibit 1 (the "Trade Name") as the tradename of the Franchised Restaurant, shall use only the service mark listed on Exhibit 1 as its primary service mark to identify and distinguish the services offered by Franchisee, and shall use no other trade name, business name, or service mark in connection with the Franchise Restaurant without Franchisor's prior written consent.

8.2 Exclusive Property of Franchisor. Franchisee acknowledges Franchisor's right, title, and interest in and to the Intellectual Property, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the System. Franchisee is a "related company" within the meaning of 15 U.S.C. § 1127 and Franchisee's use of the Marks pursuant to this Agreement inures to the benefit of Franchisor. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title, or interest therein, and any and all goodwill associated with the System and the Intellectual Property shall inure exclusively to Franchisor's benefit. Upon the expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Intellectual Property.

8.3 Infringement by Franchisee. Franchisee acknowledges that the use of the Intellectual Property outside of the scope of this Agreement without Franchisor's prior written consent is an infringement of Franchisor's rights, title, and interest in and to its Intellectual Property. Franchisee expressly covenants that during the term of this Agreement and after the expiration or termination hereof, Franchisee shall not, directly, or indirectly, commit an act of infringement or contest, or in contesting, the validity or ownership of the Intellectual Property or take any other action in derogation thereof. This covenant shall survive the expiration, termination, or cancellation of this Agreement.

Infringement by Others. Franchisee shall promptly notify Franchisor of any use of the Intellectual Property or any colorable variation thereof by any person or legal entity other than Franchisor or any of its representatives and agents or other WOSD Franchisees, or any other intellectual property in which Franchisor has or claims a proprietary interest. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any person or legal entity against Franchisor or Franchisee involving the Intellectual Property. Franchisor shall have no obligation to defend or indemnify Franchisee for any claims of infringement. In the event Franchisor, in its sole discretion, undertakes the defense, prosecution or settlement of any proceeding or litigation relating to the Intellectual Property, Franchisor shall retain exclusive control of the same, and Franchisee agrees to execute any and all documents, and to render such assistance as may, in the opinion of Franchisor, be reasonably necessary to carry out such defense prosecution or settlement. Franchisee acknowledges that the nature of trademark and intellectual property law makes it impossible for Franchisor to guarantee or warrant the exclusivity of Franchisor's right to use any of the Intellectual Property and that nothing in this Agreement or in any other document or promotional material provided by Franchisor to Franchisee or to any other party may be construed to guarantee, warrant or imply that Franchisor's right to use any of the Intellectual Property is exclusive or superior to the rights of any other party. In the event that any party demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Intellectual Property, Franchisee shall, upon demand by Franchisor, discontinue its use of such Intellectual Property and, in the case of the Trade Name or any of the Marks, adopt, at Franchisee's sole cost and expense, any replacement name or mark, if any,

selected by Franchisor, and Franchisor will have no liability to Franchisee therefore.

8.4 Improper Use of Marks. Franchisee may not use any of the Marks, or any derivative or colorable variation thereof: (a) as part of Franchisee's corporate or other legal name; (b) on or as part of any web site, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services; (c) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (d) in any modified form. Franchisee may not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or Internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefore or which may harm, tarnish, or impair Franchisor's reputation, name, services or Marks. If Franchisor provides Franchisee with any contracts, agreements, forms, or other documents that contain any of the Marks, Franchisee may not alter or modify such contracts, agreements, forms, or documents without Franchisor's prior written consent. The provisions of this paragraph will survive the expiration, termination, or cancellation of this Agreement.

8.5 Non-exclusive Use. Franchisee expressly acknowledges and agrees that this license to use the Intellectual Property is non-exclusive, and Franchisor has and retains the rights, among others:

- (a) To grant other licenses for the use of the Intellectual Property, in addition to those already granted to existing WOSD Franchisees and to Franchisee; and
- (b) To develop and establish other systems and programs utilizing the same or similar Intellectual Property, or any other proprietary property, and to grant franchises therein without granting Franchisee any rights therein.

8.6 Use of Marks by Others. Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents, and supplies utilized by Franchisee in connection with the operation of the Franchised Restaurant without first obtaining the consent of Franchisor and requiring such party to execute a license agreement.

8.7 Change or Modification of Marks. Franchisor reserves the right to change or modify its Marks at any time, in its sole discretion. Franchisee shall, upon demand by Franchisor, discontinue its use of any Mark and adopt, at Franchisee's sole cost and expense, any replacement name or mark selected by Franchisor, and Franchisor will have no liability to Franchisee, therefore.

## SECTION 9 TECHNOLOGY / CONFIDENTIAL MANUAL

9.1 Computer Systems and Required Software. The following terms and conditions shall apply with respect to the Computer System and Required Software.

9.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by, between, or among WOSD Franchised Restaurants, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at WOSD Franchised Restaurants, between or among WOSD Franchised Restaurants, and between and among the Franchised Restaurant and Franchisor and/or Franchisee; (b) Cash

Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the “**Computer System**”).

9.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System (“**Required Software**”), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee’s Computer System.

9.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the then-existing Manual and/or Written Standards or otherwise in writing (“**Cash Register Systems**”), which shall be deemed part of the Franchisee’s Computer System.

9.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, “**Computer Upgrades**”).

9.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee’s Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

9.1.6 Franchisee acknowledges and agrees that under no circumstances shall Franchisor be held liable in any way or to any extent as a result of a temporary or permanent failure of Franchisee’s Computer System.

9.2 Data. Franchisor may, from time-to-time, specify in the then-existing Manual and/or Written Standards or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Restaurant, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Restaurant, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee’s operation of the business (including without limitation data pertaining to or otherwise concerning the Franchised Restaurant’s customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee’s Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor’s request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee’s use in connection with the business franchised under this Agreement.

9.3 Privacy. Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals (“Privacy”) and shall comply with Franchisor’s standards and policies pertaining to Privacy. If there is a conflict between Franchisor’s standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor’s counsel as Franchisor may request

to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

9.4 Telecommunications. Franchisee shall comply with Franchisor's requirements (as set forth in the then-existing Manual and/or Written Standards or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

9.5 Intranet. Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "Intranet"). Franchisee shall comply with Franchisor's requirements (as set forth in the then-existing Manual and/or Written Standards or otherwise in writing) with respect to connecting to the Intranet and utilizing the Intranet in connection with the operation of the Franchised Restaurant. The Intranet may include, without limitation, the then-existing Manual and/or Written Standards, training or other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

9.6 Websites. As used in this Agreement, the term "Website" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

9.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any, or all of the Products, WOSD Franchised Restaurants, the franchising of WOSD Franchised Restaurants, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

9.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Restaurant, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

9.6.3 Franchisee shall not establish a separate website, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards, and specifications with respect to the creation, maintenance, and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval.

9.6.4 Franchisor shall have the right to modify the provisions of this Section 9 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

9.7 Online Use of Marks. Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding WOSD Franchised Restaurants by e-mail or any other “Electronic Media” without Franchisor’s prior written consent and in accordance with such specific programs, policies, terms, and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites such as Twitter, Yelp, Facebook, and Instagram. Currently, Franchisee is allowed to use Facebook and Instagram.

9.8 No Outsourcing without Prior Written Approval. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee’s obligations without Franchisor’s prior written approval therefor. Franchisor’s consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor’s entry into a Confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

9.9 Franchisor-Software. As of the date of this Agreement, Franchisor has not developed any of its own proprietary software in connection with the operation of the Franchised Restaurant. And Franchisor has made no representations to Franchisee that Franchisor will develop such software. Any reference to “Software” in this Agreement is only intended to cover such software subsequently developed by Franchisor. If and when Franchisor actually develops such software, Franchisor shall grant Franchisee a non-exclusive end-user license agreement (the “EULA”) to use Franchisor’s software (the “Franchisor-Software” or “Software”) in connection with the operation of the Franchised Restaurant. The EULA will entitle Franchisee to use any number of copies of the Software on any number of computers, provided that they are all owned or leased by Franchisee and are part of the Franchised Restaurant. The Software and all supporting files shall be protected by United States copyright laws and international treaty provisions. Franchisee may not rent, lease, sell, reverse engineer, decompile, disassemble, modify, or create derivative works from the Software. The Software and all supporting files shall be proprietary and confidential trade secrets of Franchisor and remain the property of Franchisor at all times. In no event will Franchisor be liable to Franchisee, its Principals, directors, officers, or agents, for any special, consequential, indirect or similar damages, including any lost profits or lost data arising out of the use or inability to use the Software or any data supplied therewith, even if Franchisor or anyone else has been advised of the possibility of such damages, or for any claim by any other party. Franchisee shall use only the Software or other software approved, provided, or designated by Franchisor, and no other computer programs or applications, to maintain financial information or any other information relating to the Franchised Restaurant and/or to operate the Franchised Restaurant. Franchisee may use the Software only in connection with the operation of the Franchised Restaurant. Franchisee shall obtain support for the Software only from such vendor(s) as may be designated by Franchisor from time to time. FRANCHISOR DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SOFTWARE, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Until such time as Franchisor may develop its own Software, Franchisee shall obtain and maintain a license to such other computer software from third parties as Franchisor may require in its then-existing Manual and/or Written Standards or otherwise.

9.10 Changes to Technology. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide

for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 9 were periodically revised by Franchisor for that purpose.

9.11 Business Operations. In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Marks, Franchisee shall conduct its operations hereunder in accordance with Franchisor's Manual and/or Written Standards (as the same may be amended or modified from time to time), which Franchisee acknowledges is/are or shall be on loan from Franchisor.

9.12 Confidentiality. The then-existing Manual and Written Standards and any and all proprietary computer software provided by Franchisor shall at all times remain the sole property of Franchisor. Franchisor treats the Manual, Written Standards, the Software, and all information contained therein as confidential and proprietary. Franchisee shall treat the Manual, Written Standards, the Software, and all information contained therein as confidential and proprietary, and shall use all reasonable efforts to maintain such information as confidential and proprietary. Franchisee shall also ensure that its employees treat the Manual, Written Standards, the Software, and all information contained therein as confidential and proprietary. Franchisee shall not at any time copy, duplicate, record, or otherwise make the same available to any unauthorized person. The provisions of this paragraph shall survive the expiration, termination, or cancellation of this Agreement and the Area Development Agreement.

9.13 Written Standards/Manuals. Franchisor shall have the right, but not the obligation, to develop, add to or otherwise modify the Manual and/or any Written Standards from time to time to reflect changes in any of the System Standards provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Without limiting the generality of the foregoing Franchisor may, during the term of this Agreement, require Franchisee to modify, upgrade, update enhance, and/or replace all or any part of Franchisee's Communication and Information System at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this Agreement), within 120 days after receipt of written notice from Franchisor the modification upgrade update, enhancement or replacement of the Communication and Information System specified by Franchisor and to take all actions as may be necessary to enable the same to operate as specified by Franchisor. Any such modifications, upgrades, updates enhancements and replacements may require Franchisee to incur costs to purchase lease and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance, enhancements, modifications upgrade updates and replacements to the Communication and Information System or other items, and that such maintenance, enhancements, modifications, upgrades, updates, and replacements required by Franchisor may involve additional investment by Franchisee during the term of this Agreement. Franchisee shall at all times ensure that any copies of the Manual and/or any Written Standards are kept secure, current, and up to date, and in the event of any dispute as to the contents of the Manual and/or Written Standards, the terms of the master copy of such written materials maintained by Franchisor at Franchisor's home office shall be controlling. Upon Franchisor's request, Franchisee will cooperate in the efficient return of all Written Standards and/or Manuals that may be identified by Franchisor as obsolete.

## SECTION 10 CONFIDENTIAL INFORMATION

10.1 Use of Confidential Information. Franchisee shall not, during the term of this Agreement or the Area Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation, any confidential information, knowledge, or know-how concerning the system or the methods of operation hereunder which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's business operations under the terms of this Agreement and Area Development Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Restaurant as described herein. In connection therewith, Franchisee shall be fully responsible for ensuring that its employees comply with this Section. The provisions of this paragraph shall survive the expiration, termination, or cancellation of this Agreement and the Area Development Agreement.

10.2 Remedies. Franchisee acknowledges that any failure to comply with Section 10.1 of this Agreement will cause Franchisor irreparable injury, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable legal fees incurred by Franchisor in obtaining, specific performance of, or any injunction by a court of competent jurisdiction against a violation of, the requirements of Section 10.1.

10.3 Preservation of Confidentiality. Franchisee shall require Franchisee's Principals, directors, officers, and management employees, at the time of the commencement of their association with Franchisee, to execute confidentiality agreements, in a form approved by Franchisor, requiring that all information being proprietary or confidential hereunder that may be acquired by or imparted to such persons in connection with their association with Franchisee be held in strict confidence and used solely for the benefit of Franchisee and Franchisor, at all times during their association with Franchisee and thereafter. Franchisee shall require each prospective purchaser of the Franchised Restaurant the license granted under this Agreement, the Area Development Agreement, or any interest in Franchisee, prior to disclosing any confidential information to such person, to execute a confidentiality agreement in a form approved by Franchisor, requiring that any proprietary or confidential information that may be disclosed to such person in connection with his or her investigation of Franchisee or the Franchised Restaurant, will be held in strict confidence and used solely to evaluate the contemplated transaction. All confidentiality agreements described in this paragraph shall include a specific identification of Franchisor as a third-party beneficiary with the independent right to enforce the agreement.

## SECTION 11 ADVERTISING

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows.

11.1 Generally. With regard to advertising generally for the Franchised Restaurant, Franchisee shall use and publish only such signs, emblems, lettering, logos and displays and advertising materials as Franchisor approves in writing from time to time. Franchisee shall submit to Franchisor, prior to its use, samples of all sales promotional and advertising materials desired to be used by Franchisee, including but not limited to, newspaper, radio, television, direct mail, billboard, and hand-out advertising, specialty and novelty items, and signs which have not been previously approved by the Company. Within fifteen (15) days of Franchisor's receipt of any sample sales promotional material or advertising materials from Franchisee, Franchisor shall notify Franchisee in writing of Franchisor's approval or disapproval of the materials; provided, however, Franchisor's failure to approve or disapprove the materials within fifteen (15) days of receipt shall be deemed a disapproval. Franchisee shall not use any advertising or promotional materials for which Franchisor has not given its prior written approval.

11.2 Advertising Fee. As required in Section 5.2 hereof, Franchisee shall pay an Advertising Fee which shall be allocated, in Franchisor's sole discretion, to (a) the national and/or regional advertising funds (collectively, the "Advertising Funds" or "Funds") as Franchisor may establish for advertising the System (as described in Section 11.4 hereof), or (b) the Cooperative (as described in Section 11.5 hereof).

11.3 Local Advertising. In addition to the advertising expenditures required by Section 11.2 hereof, for each month that the Franchised Restaurant is open for business, Franchisee shall expend on a monthly basis an amount established by Franchisor on local advertising in such manner as Franchisor may, in its sole discretion, direct from time to time (the "Minimum Local Advertising Expenditure"). The amount of the Minimum Local Advertising Requirement shall not exceed three percent (3%) of Franchisee's Gross Revenues from the previous month.

11.3.1 Grand Opening. Notwithstanding the foregoing, Franchisee shall be obligated to expend at least Seven Thousand Five Hundred and No/100 (\$7,500.00) on marketing Franchisee's Grand Opening (the "Minimum Grand-Opening Expenditure"). All such Grand Opening marketing must be conducted during the period beginning 10 days before the opening of your Franchised Restaurant and ending 10 days after such opening date (the "Grand Opening Period"). All Grand Opening marketing materials must be expended by you for products and services according to a grand opening marketing program, pre-approved by us. All Grand Opening marketing materials must be approved by Franchisor prior to publication and/or distribution.

11.4 Advertising Funds. Franchisor shall have the right, in its discretion, to establish such national or regional Funds and to designate any geographical area as a region for establishing regional advertising Funds. Franchisor shall maintain and administer the Funds as follows.

11.4.1 Franchisee agrees and acknowledges that the Funds are intended to maximize general public recognition and acceptance of the Marks for the benefit of all Franchises within the System or within a region, as the case may be, and that Franchisor is not obligated in administering the Funds to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular Franchisee benefits directly or indirectly from the placement of advertising.

11.4.2 The Funds, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, researching, directing, and preparing advertising and/or promotional activities including, without limitation, the costs of preparing and conducting advertising campaigns in various media; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies to assist therein; product development and developing and providing promotional and other marketing materials for Franchisor's company-owned, affiliated-owned and franchised locations, as well as other locations utilizing the WOSD Marks.

11.4.3 Franchisor shall, for each of its affiliate-owned or company-owned businesses (if any), make contributions to the Funds on the same basis as assessments required of comparable WOSD Franchisees.

11.4.4 Franchisee shall contribute to the Funds by separate check made payable to "The WOSD National Advertising Account" or such other designation as Franchisor may from time to time prescribe. All sums paid by Franchisee to the Funds shall be maintained in an account

separate from the other moneys of Franchisor. Such sums shall not be used to defray any of Franchisor's operating expenses, except for such reasonable salaries, overhead and administrative accounting legal (including without limitation, the defense of any claims against Franchisor and/or Franchisor's designee regarding the management of the Funds) and other costs, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Funds or advertising programs for Franchisor's company-owned and franchised locations and the System, including the costs of enforcing contributions to the Funds required under this Agreement and the costs of preparing a statement of operations. The Funds and their earnings shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for each Fund.

11.4.5 It is anticipated that all contributions to and earnings of the Funds shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Funds at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

11.4.6 Advertising fees paid by Franchisee are not refundable to Franchisee. If this Agreement or the Area Development Agreement is terminated for any reason (including, but not limited to, the assignment of this Agreement or the transfer of the Franchised Restaurant), all Advertising Fees paid by Franchisee shall be forfeited to the Fund.

11.4.7 Franchisee agrees that Franchisor (and any designee of Franchisor) shall not have any direct or indirect liability or obligation to Franchisee, the Funds or otherwise with respect to the management, maintenance, direction, administration or otherwise of the Funds. Franchisee further agrees that Franchisor shall not be liable for any act or omission, whether with respect to the funds or otherwise, which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith. Franchisee and Franchisor, each having a mutual interest and agreeing on the critical and practical business importance of their relationship being governed solely by written instruments signed by the parties to be bound (and not having either party subject to the uncertainty inherent in the application of legal or other concepts not expressly agreed to in writing by both parties), agree that their rights and obligations with respect to the Funds and all related matters are governed solely by this Agreement and that neither this Agreement nor the Funds are in the nature of a "trust," "fiduciary relationship" or similar special arrangement, but is only an ordinary commercial relationship between independent businesspersons for their independent economic benefit.

11.4.8 The Funds are not and shall not be an asset of Franchisor. An accounting of the operation of the Funds will be prepared annually and will be made available to Franchisee during regular business hours, upon Franchisee's prior written notice to Franchisor, once during each calendar year. Franchisor reserves the right, in its sole discretion, to require that such annual accounting include an audit of the operation of the Funds prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Funds.

11.4.9 Although Franchisor intends the Funds to be of perpetual duration, Franchisor maintains the right to terminate any Funds. No Funds shall be terminated, however, until all moneys in the specific Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

11.5 Advertising Cooperative. Franchisor shall have the right, in its sole discretion, to designate

any geographic area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to the Franchised Restaurant. If a Cooperative has been established applicable to the Franchised Restaurant at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Franchised Restaurant is established at any later time during the term of this Agreement (or any extension or renewal), Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. If the Franchised Restaurant is within the territory of more than one Cooperative, Franchisee shall be required to be a member or only a single Cooperative, as determined by Franchisee. If established, the following provisions shall apply to each Cooperative.

11.5.1 Each Cooperative shall be organized, governed, and administered pursuant to its Bylaws, in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

11.5.2 Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor’s approval, standardized advertising materials for used by the members in local advertising promotion.

11.5.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 11.1 hereof.

11.5.4 Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative by majority vote, in an amount not to exceed 2% Franchisee’s Gross Revenues on a monthly basis. Each franchised location operated by Franchisor or an affiliate in a geographic area for which the Cooperative operates shall make contributions and have voting powers on any fees imposed by the Cooperative.

11.5.5 Unless otherwise stated in the then-existing Manual or Written Standards, each member franchisee shall submit to the Cooperative, no later than the tenth (10<sup>th</sup>) day of each month, for the preceding calendar month, its contribution as provided in Section 11.5.4 hereof, together with such other statements or reports as may be required by Franchisor or the Cooperative with Franchisor’s prior approval.

11.5.6 Franchisee’s contribution to the Cooperative shall be in lieu of Franchisee’s then Minimum Local Advertising Expenditure as described in Section 11.3 hereof; provided, however, if Franchisee’s contribution to the Cooperative does not at least equal the required Minimum Local Advertising Expenditure, Franchisee must expend the difference on local advertising and sales promotion as provided in Section 11.3 hereof.

11.5.7 Pursuant to its Bylaws, an unaudited accounting of the operation of the Cooperative will be prepared annually by the Cooperative and will be made available to Franchisee during regular business hours, once during each calendar year.

11.5.8 Franchisor, in its sole discretions, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request

of such franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption shall be final. If an exemption is granted to Franchisee, Franchisee shall be required to expend on local advertising and sales promotion the full amount provided in Section 11.3 hereof.

11.5.9 Although each Cooperative when established is intended to be of perpetual duration, Franchisor maintains the right to change, dissolve, merge, or terminate any Cooperative. A Cooperative shall not be terminated, however, until all monies in that Cooperative have been expended for advertising and/or promotional purposes.

11.6 Advertising Materials. All advertising, printed materials and promotion by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, shall be completely accurate and truthful, shall conform to all applicable laws and regulations relating to consumer advertising and to such standards and requirements as Franchisor may specify from time to time and shall give notice that the Franchised Restaurant is independently owned and operated. Franchisee shall not use any advertising, coupons or promotional plans or materials unless and until Franchisee has received written approval from Franchisor pursuant to the procedures and terms set forth in Section 11.1 hereof. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the Franchised Restaurant. Franchisee specifically acknowledges and agrees that the word "advertising" includes, but is not limited to, URLs, e-mail addresses, Internet listings, banners, advertisements or other services or links on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, and similar services. Accordingly, and as further discussed in Section 11.8 hereof, Franchisee shall not obtain a Website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the rights granted hereunder without Franchisor's prior written approval and, if such approval is granted, shall operate such Website in accordance with Franchisor's standards and policies. In addition, to the advertising requirements described in Section 11.2, Franchisee shall obtain and maintain an adequate supply of brochures, pamphlets, and special promotional materials of such kind and size as Franchisor may reasonably require from time to time.

11.7 Minimum Requirements. Franchisee understands and acknowledges that the required expenditures and contributions in this Section 11 are minimum requirements only, and that Franchisee may, and is encouraged by Franchisor to, expend additional funds for advertising and promotion.

11.8 Website. Franchisee specifically acknowledges and agrees that any Website (as defined in Section 9 above) will be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval under this Section 11 and the other terms and conditions set forth in Section 9. In connection with any Website, Franchisee further agrees to the following.

(a) As discussed in Section 5.3 hereof, Franchisee shall pay to Franchisor any fee imposed by Franchisor, for creating, updating, maintaining, or hosting any Website.

(b) Upon request, Franchisee shall execute and deliver to Franchisor authorization to take all acts necessary to take any actions on behalf of Franchisee related to any rights Franchisee may have in any web site, web pages listings, banners, URLs, advertisements or any other services or links related to the Franchised Restaurant or the use of Franchisor's trademarks, service marks or other logos on the Internet or other electronic service (in such form set forth in the attached Exhibit 6, or such other form as Franchisor may prescribe or accept).

11.9 Delegation of Franchisor's Duties. Franchisor shall have the right to delegate and re-

delegate its responsibilities and duties under this Section 11 to any designee(s) of its choosing; provided, however, that the right of final approval of all advertising programs shall be retained at all times by Franchisor.

11.10 Copyright to Advertising. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Marks shall be the sole property of Franchisor, and Franchisee, agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional public relations, or sales concepts plans programs activities or materials proposed or developed by Franchisee for the Franchised Restaurant or the System and approved by Franchisor may be used by Franchisor and other WOSD Franchisees without any compensation to Franchisee.

## SECTION 12 TRANSFERABILITY OF INTEREST

12.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign all or any part of its rights and/or obligations herein to any person or legal entity, including a regional developer or sub-franchisor specifically responsible for assisting Franchisee. Franchisee agrees to execute any forms that Franchisor may reasonably request to effectuate any transfer or assignment by Franchisor.

### 12.2 Transfer by Franchisee.

(a) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has entered into this Agreement in reliance upon Franchisee's business skills and financial capacity. Accordingly, neither Franchisee, nor any shareholder, member, or partner of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchise, shall sell, assign, transfer, convey, or give away any interest in this Agreement, in the Franchise granted hereunder, or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 13 herein.

(b) Except as provided in Section 12.2(c) below, Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in this Agreement, the Area Development Agreement, or in the Franchise granted hereunder; provided, however, that prior to the transfer, Franchisor may require the following.

(1) All of Franchisee's accrued monetary obligations to Franchisor or any of its affiliates and all other outstanding obligations related to the Franchised Restaurant (including, without limitation, obligations under any promissory note in favor of Franchisor or its affiliates) shall have been satisfied.

(2) The transferor's right to receive compensation pursuant to any agreement for the purchase of any interest in Franchisee or in Franchisee's Franchised Restaurant shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligation due from transferor or Franchisee pursuant to this Agreement, whether arising before or after the transfer, and Franchisee and the transferee franchisee shall execute any and all instruments reasonably required by

Franchisor to evidence such liability.

(3) Franchisee shall have executed a general release in a form satisfactory to Franchisor, effective as of the date of transfer, of any and all claims against Franchisor and its officers, directors, shareholders, and employees, in their corporate and individual capacities including without limitation, claims arising under federal, state, and local laws, rules and ordinances.

(4) If the transfer will result in a transfer of less than all of Franchisee's rights in the Franchised Restaurant, then the transferee franchisee shall execute appropriate documentation making such transferee jointly and severally liable for all of Franchisee's obligations under this Agreement and any extensions or renewals thereof.

(5) If the transfer results in a full transfer of all rights or a majority of your rights in the Franchised Restaurant, then the transferee shall sign a then-current version of Franchisor's standard franchise agreement and such other ancillary agreements as Franchisor may require, for a term ending on the expiration date of this Agreement or two years from the effective date of the transfer, whichever is later, with such renewal term as is provided in Section 2.2 of this Agreement; provided, however, that the transferee shall not be required to pay an initial franchise fee.

(6) The transferee franchisee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial, and business standards; has the aptitude and ability to conduct the Franchised Restaurant (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the business.

(7) At the transferee franchisee's expense, and upon such other terms and conditions as Franchisor may reasonably require, the transferee franchisee or its manager shall complete the training course then in effect for WOSD Franchisees.

(8) Franchisee shall comply with the requirements of Section 10.3 above relating to the disclosure of confidential information to a prospective transferee franchisee.

(9) Either Franchisee or the transferee franchisee shall pay to Franchisor a transfer fee of \$10,000, to cover Franchisor's legal and administrative and other expenses in connection with the transfer. No transfer fee will be required in the case of a transfer (i) of any interest in the Franchise to Franchisee's spouse; (ii) of less than 20% of the ownership interest of a corporation, partnership, or limited liability company Franchisee, and (iii) the entire Franchise to any entity, solely for the convenience of ownership, as described in Section 12.3 below.

(c) Notwithstanding the provisions of Section 12.2(b) above, neither Franchisee nor any shareholder, member or partner of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchise, shall pledge, mortgage, grant a security interest, or otherwise encumber any interest in this Agreement, in the Franchise granted hereunder, or in Franchisee (whether or not in connection with an absolute transfer of an interest in the Franchise). Franchisor shall not be obliged to consent to any such transfer.

12.3 Transfer to Controlled Entity. Franchisee may transfer all of its interest in the Franchised Restaurant to an entity formed solely for the convenience of ownership without Franchisor's consent,

upon Franchisee's written notice to Franchisor and compliance with the following requirements.

- (a) The transferee entity shall be newly organized and its articles of incorporation or organization, bylaws, operating agreement, or partnership agreement shall provide that its activities are confined exclusively to operating the Franchised Restaurant.
- (b) Franchisee shall beneficially own a controlling interest in the transferee entity, shall not diminish his/her ownership interest therein, except as may be required by law, and shall act as its principal executive and operating officer, partner or member.
- (c) Franchisee shall provide Franchisor, on a form satisfactory to Franchisor, with written information about each Principal of the transferee entity and the ownership interest thereof and shall agree to promptly notify Franchisor of any changes in any such information during the term of this Agreement.
- (d) The transferee entity shall designate a Designated Individual in compliance with Section 7.13 above.
- (e) All Principals of the transferee entity having at least a ten percent ownership interest in the transferee entity shall enter into an agreement, in the form attached hereto as Exhibit 9, or otherwise satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor.
- (f) Each ownership certificate of the transferee entity shall have conspicuously endorsed upon its face the following legend: "*The transfer, sale or pledge of this certificate is subject to the terms and conditions of a Franchise Agreement with World of Sourdough Franchising, LLC.*" If Franchisee is a partnership or limited liability company without certificates evidencing ownership Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms of this Agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this Agreement.
- (g) Copies of the transferee entity's articles of incorporation or organization, by-laws, partnership or operating agreement, and other governing documents, including the resolutions of its Principals or governing board authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval prior to the transfer.
- (h) The name of the transferee entity shall not consist of or contain the words "World of Sourdough," "WOSD," or any colorable variation thereof, or any other mark in which Franchisor has or claims a proprietary interest.

12.4 Franchisor's Right of First Refusal. If Franchisee or its owners shall at any time decide to sell, transfer, or assign any right or interest under this Agreement and/or the franchise granted pursuant hereto, Franchisee or its owners shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of thirty (30) days after the date of delivery of such offer to Franchisor, Franchisor shall have the right, exercisable by written notice to Franchisee or any of its owners, to purchase such rights or interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by Franchisor must be

completed within sixty days after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale of such interest to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided in Section 12.2 herein; provided, however, that if the sale to such purchaser is not completed within one hundred twenty days after the delivery of the offer to Franchisor, Franchisor shall again have the right of first refusal herein provided.

12.5 Right of Franchisee's Heirs Upon Death, Disability or Dissolution of Franchisee. A transfer to the heirs, surviving spouse, conservators, or personal or other legal representative of Franchisee or a Principal of Franchisee (collectively, "Involuntary Transferees") upon the death, dissolution or legal disability of Franchisee or a Principal of Franchisee, shall not be subject to Franchisor's right of first refusal under Section 12.4 or right to terminate for failure to obtain written approval under Section 12.2(a), so long as the Involuntary Transferees (i) satisfy Franchisor that they are qualified to act as a franchisee pursuant to Section 12.2(b)(6) herein or retain an individual or entity to operate and manage the Franchised Restaurant who is so qualified and who is approved in writing by Franchisor, and (ii) perform all other applicable acts required under Section 12.2 herein. Such transfer must be made within one hundred eighty days after the death, disability, or dissolution of Franchisee or Franchisee's Principal, as the case may be. Any subsequent sale or other transfer by any Involuntary Transferees shall be subject to Franchisor's right of written approval set forth in Section 12.2 and to Franchisor's right of first refusal set forth in Section 12.4. A transfer to Involuntary Transferees shall not require the payment of the transfer fee set forth in Section 12.2(b)(9). Actual legal costs incurred by Franchisor to approve and affect the transfer will be charged, however.

## SECTION 13 TERMINATION

13.1 Termination Without Opportunity to Cure. Franchisor may terminate this Agreement upon notice to Franchisee, with immediate effect and without opportunity to cure, upon the occurrence of any of the following events:

- (a) Franchisee or Franchisee's designee fails to complete the training program to the satisfaction of Franchisor;
- (b) Franchisee fails to satisfactorily complete initial training or open the Franchised Restaurant within the earlier of (i) twelve (12) months after the Effective Date of this Agreement, or (ii) six (6) months after Franchisee purchases or leases the site for its Specific Location;
- (c) after opening the Franchised Restaurant, Franchisee fails to maintain it in continuous operation;
- (d) Franchisee is declared bankrupt or insolvent or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code.
- (e) a receiver is appointed for Franchisee or for any part of its property, or Franchisee makes any assignment for the benefit its creditors, if not dismissed within 15 days.
- (f) after Franchisee's receipt of a notice of noncompliance (regardless of the source of the notice) applicable to the Franchised Restaurant, Franchisee fails, within the time limit stated in the notice (or, if no time limit is stated or referred to in the notice, within 30 days) to comply with any federal, state or local law or regulation applicable to the operation of the Franchised

Restaurant, unless Franchisee in good faith and with due diligence disputes the allegation of noncompliance;

(g) an attempted transfer of an interest in this Agreement, in the Franchise granted under this Agreement, or in Franchisee, that fails to comply with the provisions of Section 12 of this Agreement;

(h) Franchisee knowingly maintains false books or records or submits any false report, record, or document to Franchisor;

(i) the Franchised Restaurant or Premises are seized, taken over, or foreclosed by a government official in the exercise of his duties or by a creditor, lienholder, or lessor of Franchisee.

(j) a final judgment against Franchisee remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed);

(k) a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Location, which is not discharged within 15 days.

(l) a material misrepresentation by Franchisee relating to the acquisition of its Franchised Restaurant;

(m) any conduct or activity by Franchisee or any Principal, director, or officer of Franchisee, which is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Restaurant, Franchisor, the System, the Marks, or the goodwill associated therewith, including, without limitation, a felony conviction of Franchisee or any Principal, director or officer of Franchisee;

(n) within the same one-year period, Franchisee breaches any term of this Agreement after having breached the same term two (2) times (provided that Franchisee was given notice of the first two breaches and an opportunity to cure as required herein), regardless of whether Franchisee has cured the previous breach(es).

(o) any breach of Section 15.2 of this Agreement;

(p) Franchisor reasonably determines that the continued operation of the Franchise by Franchisee will result in immediate danger to public health or safety; or

(q) termination of your lease or sublease of your Premises (if you lease) or the foreclosure of your ownership interest of your Premises (if you purchase), unless otherwise agreed in writing by us.

(r) any other franchise agreement or other agreement between us (or any of our affiliates) and you (or any of your Owners or affiliates) relating to a WOSD Restaurant, other than an Area Development Agreement, is terminated before its term expires.

13.2 Termination With Opportunity to Cure. This Agreement will automatically terminate thirty days (or such longer period as may be required by applicable law) after Franchisee's receipt of

written notice of any of the following events of default, unless Franchisee cures the default within the thirty-day period (or such longer period as may be required by applicable law):

- (a) Franchisee fails to pay when due any sum it is required to pay under this Agreement, or any other agreement or instrument between Franchisor and Franchisee.
- (b) Franchisee fails to furnish when due any report required by this Agreement:
- (c) Franchisee fails to operate its Franchise in compliance with the terms of this Agreement, the Manual, any then-existing Written Standards, or the System Standards;
- (d) Franchisee breaches or fails to perform any provision of this Agreement not otherwise described in Section 13.1 above, or breaches or fails to perform any provision of any other agreement between Franchisor and Franchisee;
- (e) breach of the terms of the lease or sublease of the Premises; or
- (f) Franchisee unintentionally understates its Gross Revenues in any report submitted to Franchisor.

13.3 Failure to Cure Default. If Franchisee fails to cure any default within the applicable time period stated in Section 13.2 above, Franchisee shall indemnify Franchisor for all damages, costs and expenses incurred by Franchisor as a result of Franchisee's default, including, but not limited to, reasonable legal and accounting fees. This paragraph applies regardless of whether or not Franchisor exercises its right to terminate this Agreement. Termination of this Agreement by Franchisor in accordance with this Section 13 does not prejudice any other legal or equitable rights or remedies Franchisor may have. This paragraph shall survive the expiration, termination, or cancellation of this Agreement.

13.4 Termination by Franchisee. If we violate a material and substantial provision of the Agreement and we fail to remedy or to make substantial progress toward curing the violation within sixty (60) days after receiving written notice from Franchisee detailing our alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. Any termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of material and substantial provision of this Agreement by us and our failure to cure such breach within sixty (60) days after receipt of written notice thereof, shall not be permitted.

## SECTION 14 OBLIGATIONS UPON TERMINATION

14.1 Franchisee's Obligations. Upon the termination or expiration of this Agreement or the Area Development Agreement for any reason, Franchisee shall forthwith:

- (a) Cease to operate the Franchised Restaurant and shall not thereafter, directly, or indirectly, represent to the public or hold itself out as a present or former franchisee of World of Sourdough Franchising, LLC, or World of Sourdough.
- (b) Immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures, or techniques associated with the System or which display the Trade Name, Marks or any other distinctive forms,

slogans, signs, symbols, or devices associated with or belonging to Franchisor, including, but not limited to, removing or obscuring (i) the Marks and any slogans, symbols, designs, or names associated with or belonging to Franchisor, and (ii) any telephone numbers used in connection with the Franchised Restaurant.

(c) Make such modifications or alterations to the Premises, including the improvements thereon, as may be necessary or requested by Franchisor to prevent the operation of any business on the Premises which might be deemed substantially similar to that of Franchisor or any other WOSD Franchisees. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter the Premises, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required at the expense of Franchisee.

(d) Turn over to Franchisor all brochures, advertisements, marketing materials, Written Standards and/or Manuals, computer disks, policies, procedures, and instructions relating to the Franchised Restaurant (all of which Franchisee acknowledges to be Franchisor's sole property), together with all copies thereof (including, without limitation, all copies of any and all Software), and all financial and business records relating to the Franchised Restaurant.

(e) Delete all proprietary software and data relating to the Franchised Restaurant from all computers, whether or not owned by Franchisee.

(f) At Franchisor's option, assign to Franchisor or Franchisor's designee all of Franchisee's right, title and interest in and to, or cancel any and all (i) telephone numbers used for the Franchised Restaurant or otherwise listed under the Trade Name or any of Franchisor's other trademarks, trade names, service marks or logos, and all related Yellow Pages, White Pages and other business listings, and (ii) web sites, web pages, listings, banners, URLs, advertisements or any other services and links related to the Franchised Restaurant or use of Franchisor's trademarks, service marks or logos, on or with the internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services.

(g) Immediately pay all sums due under the Franchise Agreement. Such sums shall include the following.

(i) Amounts Accrued as of Termination/Expiration. All amounts due and owing to Franchisor, whether pursuant to this Agreement or otherwise, including, without limitation, unpaid Royalties and Advertising Fees (if applicable) which have accrued prior to termination/expiration.

(ii) Liquidated Damages for Future Royalties, Advertising Fees, and Other Recurring Fees. In the event of termination of this Agreement prior to its expiration date, Franchisee acknowledges that the parties have considered the following in determining the amount of liquidated damages ("Damages"): (i) that the amount of Damages is reasonable under the circumstances existing at the time this Agreement is made; (ii) that the amount of Damages bears a rational relationship to the damages the parties anticipate would flow from the breach of this Agreement; (iii) the agreement to the amount of the Damages is necessary because actual damages are difficult or impossible to prove; and (iv) the amount of the Damages are not so large that they act as a penalty. Franchisee accordingly agrees that in such event it shall be obligated to pay to Franchisor liquidated damages equal to the monthly average of all Royalties, Advertising Fees, and other recurring fees which

Franchisee paid or owed to Franchisor during the twelve (12) months of operation before the termination multiplied by the lesser of (a) twenty-four (24), being the number of months in two (2) full years, or (b) the number of months remaining during the term of this Agreement.

(h) Take such action as may be necessary to cancel any fictitious or assumed name or equivalent registration that contains the Trade Name or any of the other Marks and furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within fifteen days after the termination or expiration of this Agreement.

(i) Obtain, and maintain in effect, tail coverage for the errors and omissions insurance and general liability insurance required by Section 7.9.2 of this Agreement, to extend the period in which claims may be asserted for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Restaurant is located, and furnish Franchisor with a certificate of insurance evidencing compliance with this obligation within thirty days after the termination or expiration of this Agreement.

14.2 Power of Attorney. Franchisee does hereby irrevocably constitute and appoint Franchisor as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee's obligations under Section 14.1 above. Franchisee agrees to promptly execute, acknowledge, and deliver to Franchisor any and all documents as may be required to carry out Franchisee's obligations under Section 14.1 above (including the forms set forth in the attached Exhibits 5, 6 and 7, or other forms as Franchisor may prescribe or accept). The provisions of this Section 14 shall survive the expiration, termination, or cancellation of this Agreement.

## SECTION 15 COVENANTS OF FRANCHISEE

15.1 Management of Franchise. At all times during the term of this Agreement, Franchisee or a person designated by Franchisee who has been approved in writing by Franchisor and has successfully completed the initial training program required by Section 7.1 hereof and all other training programs designated by Franchisor as mandatory, shall devote his/her full-time energy and best efforts to the management and operation of the Franchised Restaurant.

15.2 Covenants During Term of Franchise. Franchisee specifically acknowledges that, pursuant to this Agreement and the Area Development Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, recipes, information regarding the design, development and operation of the Franchised Restaurant, and the sales, promotional, and marketing methods and techniques of Franchisor and the System. Accordingly, during the term of this Agreement, and any extension or renewal, neither Franchisee nor its owners (if Franchisee is a legal entity) shall, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person (including, without limitation, the spouse or children of Franchisee or any Principal):

(a) participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of a business or location or in the sale of products or services competitive with those offered by the Franchised Restaurant;

(b) divert or attempt to divert any business or customer of the Franchised Restaurant or of any other of Franchisor's company-owned, affiliate-owned, or franchised location(s) to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the

System.

(c) employ or seek to employ any person who is at that time employed by Franchisor or any WOSD Franchisee, or otherwise directly or indirectly induce or attempt to induce such person to leave his or her employment; or

(d) aid, assist or provide goods or services to any competitor of the Franchised Restaurant, Franchisor, or any other WOSD Franchisee.

15.3 Noncompetition After Term of Franchise. For a period of two (2) years after the transfer, assignment, expiration or termination of this Agreement, for any reason, neither you, nor persons associated with you, including managers, assistant managers, agents, or immediate family members thereof involved in the operation of the Franchised Restaurant, will participate directly or indirectly, or serve in any capacity in any business engaged in the ownership or operation of a business or location or in the sale of products or services competitive with those offered by the Franchised Restaurant. This post-termination covenant applies to the entire county/parish identified in Section 2 of Exhibit 1 hereof. The post-termination covenant shall also apply to the smaller of the following areas (a) a 15-mile radius of any other WOSD Franchised Restaurant in operation at the time of termination, or (b) any county/parish in which any other WOSD Franchised Restaurant operates at the time of termination. The time period referred to in this section shall be stayed during any violation or breach of the terms of this Section. The provisions of this section shall survive the expiration, termination, or cancellation of this Agreement.

15.4 Non-solicitation. For continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two years thereafter, Franchisee shall not, directly or indirectly, by any means whatsoever, for itself or through, on behalf of, or in conjunction with any person (including, without limitation, the spouse or children of Franchisee or any Principal), solicit any of Franchisee's former customers or any customers of any other WOSD Franchisee for the purpose of promoting any business or service. The time period referred to in this Section shall be stayed during any violation or breach of the terms of this Section. The provisions of this Section shall survive the expiration, termination, or cancellation of this Agreement.

15.5 Exception for Publicly Traded Company. Sections 15.2 and 15.3 shall not apply to the beneficial ownership by Franchisee of less than 1% of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

15.6 Independent Covenants; Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Section 15.

15.7 Reduction of Covenants by Franchisor. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.2, 15.3 or 15.4 of this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 18.2 hereof.

15.8 Claims Against Franchisor No Defense. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 15.

15.9 Injunctive Relief. Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15.

15.10 Restrictive Covenant Agreements. At the request of Franchisor, Franchisee shall provide Franchisor with an executed "Restrictive Covenant Agreement." in the form attached hereto as Exhibit 8 or otherwise approved by Franchisor, containing covenants similar in substance to those in this Section 15 (including covenants applicable upon the termination of a person's relationship with Franchisee), from each of the Principals, officers, and directors of Franchisee and the Principals, officers, and directors of any non-individual Principal of Franchisee. With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above after the Effective Date, Franchisee shall require and obtain a Restrictive Covenant Agreement from them and promptly provide Franchisor with executed copies thereof. In no event shall any person enumerated above be granted access to any confidential aspect of the System or the Franchised Restaurant prior to their execution of a Restrictive Covenant Agreement. All Restrictive Covenant Agreements required by this paragraph shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary with the independent right to enforce them. The failure by Franchisee to obtain the execution of the Restrictive Covenant Agreements required by this paragraph and provide them to Franchisor is a material breach of this Agreement.

## SECTION 16 ENFORCEMENT

16.1 Injunctive Relief. Notwithstanding any provision of this Agreement to the contrary, Franchisor expressly reserves the right to seek temporary and permanent injunctions and orders of specific performance, without bond, from a court of competent jurisdiction, to enforce the provisions of this Agreement relating to: (a) Franchisee's use of the Marks; (b) Franchisee's obligations upon the termination or expiration of this Agreement (c) Franchisee's obligations under Section 15 of this Agreement, (d) an assignment of this Agreement or any ownership interest therein, or (e) as necessary to prohibit any act or omission by Franchisee or its agents (i) that would constitute a violation of any applicable law, ordinance or regulation (ii) that is dishonest or misleading to Franchisor or other WOSD Franchisees; or (iii) that may harm, tarnish, or impair Franchisor's reputation, name, services or Marks.

### 16.2 Dispute Resolution.

(a) Mandatory Mediation of Franchisee's Claims. If a dispute arises between the parties in which Franchisee asserts claims or causes of action against Franchisor, and if the dispute cannot be settled through negotiation, the parties shall first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration, litigation, or other dispute resolution procedure. The mediation proceeding will take place at the American Arbitration Association location nearest Franchisor's principal place of business (presently Richardson, Texas). Each party shall be responsible to pay its own cost of mediation. Franchisor shall not be obligated to mediate any of its claims or causes of action before seeking a temporary restraining order or

temporary injunction but must submit to mediation within 30 days of filing such suit or arbitration.

(b) Arbitration. Except as qualified in Section 16.1, the parties hereby agree that any and all disputes and claims arising out of (either directly or indirectly) or related to the Franchised Restaurant, this Agreement or related agreement(s), including breach thereof and including any alleged violation of law shall be submitted to binding arbitration under the Federal Arbitration Act and under the auspices of the American Arbitration Association (“AAA”). Any arbitration must be resolved on an individual basis only and not joined as part of a class action or the claim of other franchisees. The dispute shall be heard by a single arbitrator in accordance with the Commercial Arbitration Rules of the AAA. The arbitrator must follow the law and not disregard the terms of this Agreement. Franchisee and Franchisor each waive their right to a trial by jury. Franchisee and Franchisor shall share equally all fees and expenses of the arbitrators and the AAA, except that the prevailing party shall be entitled to full reimbursement for all such fees and expenses. No part of the arbitration proceeding shall be disclosed to any other person except as required by law or by court order. There shall be a limit of five (5) depositions per party. The arbitrator will have the right to award any relief supported by law that he/she deems proper in the circumstances, including, for example, money damages (with interest on unpaid amounts due from their due date(s)), specific performance, and temporary and/or permanent injunction. The arbitrator shall NOT have the authority to award exemplary or punitive damages, and the parties expressly waive the right to or claim of any exemplary or punitive damages against the other. The prevailing party shall be entitled to its attorneys’ fees in any such proceeding. The decision of the arbitrator may be filed as a judgment in any court of competent jurisdiction and will be binding in any other jurisdiction. This arbitration provision shall be deemed self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party, notwithstanding such failure to appear. All arbitration proceedings shall be filed in Granite Bay, California. All arbitration proceedings shall take place in Placer County, California.

16.3 WAIVER OF JURY TRIAL. EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

16.4 Construction / Governing Law. This Agreement was accepted and executed by Franchisor in California. Accordingly, this Agreement and related agreements shall be governed by and construed in the accordance with the laws of the State of California; however, if this Agreement concerns a Franchised Restaurant which is located in a state other than Texas and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or the related agreement, or any provision thereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Agreement or any related agreement that may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision, or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee waives any provision of law that renders any provision of this Agreement, or any related agreement prohibited or unenforceable in any respect.

16.5 Jurisdiction and Venue. Each party irrevocably and unconditionally with respect to any matter that is not subject to arbitration: (a) agrees that any suit, action or legal proceeding arising out of or

relating to this Agreement or any related agreement shall only be brought in the court(s) of record of the State and County or the United States District Court, whose jurisdiction encompasses the location of the principal office of Franchisor; (b) consents to the jurisdiction of each such court in any suit, action or proceeding; and (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts. In all lawsuits between the parties, Franchisee may be served with process outside the State of Texas in the same manner that service may be made within the State of Texas by any person authorized to make service by the laws of the state, territory, possession, or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee hereby waives any defense it may have of insufficiency of service of process if service is made as provided in this paragraph. This method of service is not exclusive, and service of process may be made by any other method allowed by law.

16.6 Limitation of Claims. Except for claims against Franchisee concerning the non-payment of Royalty and Advertising Fees, and for claims against Franchisee by Franchisor relating to third party claims or suits brought against Franchisor as a result of Franchisee's operation of the Franchised Restaurant, any and all claims arising out of or relating to this Agreement or the relationship between the parties shall be barred unless an action is commenced within one (1) year from the date Franchisee or Franchisor knew or should have known of the facts giving rise to such claims.

16.7 WAIVER OF RICO. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

16.8 WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

#### SECTION 17 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

It is understood and agreed that nothing in this Agreement shall create a partnership, employment or agency relationship between Franchisor and Franchisee, or authorize Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor shall not be liable to any third party for any act or omission of Franchisee in any of its operations hereunder (including, without limitation, any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefore against Franchisee. Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee's operation of the Franchised Restaurant (excluding, however, liabilities caused by (i) Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence), and shall pay all costs (including, without limitation, legal and accounting fees) incurred by Franchisor in defending against and/or responding to them. FRANCHISEE SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED RESTAURANT IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.

#### SECTION 18 MISCELLANEOUS

18.1 Personal Guaranty. In the event that Franchisee is a legal business entity, each of the owners (i.e., shareholders, partners, members, etc.) holding at least a ten percent (10%) ownership interest in Franchisee, and their spouses, shall execute a personal guaranty agreement in favor of Franchisor, in the form attached hereto as Exhibit 9 or otherwise approved by Franchisor. This requirement of personal guaranty(ies) is a material inducement to Franchisor, and Franchisor would not execute this Agreement without such personal guaranty(ies).

18.2 Nature of Agreement. This Agreement, together with its exhibits, constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any prior agreements between them. This Agreement may be modified or amended only by a written instrument signed by each of the parties. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power, or remedy hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercises thereof or the exercise of any other right, power, or remedy.

18.3 Effect of Agreement; Assignment. This Agreement is binding upon and inures to the benefit of the parties and their respective legal representatives, successors, and assigns. Franchisee may not assign this Agreement without first complying with the provisions of Section 12.2 hereof.

18.4 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Agreement.

18.5 Notices. All payments shall be made to the addresses listed below. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing, shall be addressed as provided in this Section 18.5, shall be made by personal delivery, or by certified mail, postage prepaid, return receipt requested, or by ordinary mail, postage prepaid, or by overnight delivery service with proof of delivery, and shall be effective upon receipt or refusal thereof or forty-eight hours after deposit in the U. S. mail, postage prepaid.

(a) If to Franchisor:

World of Sourdough Franchising, LLC

8700 Auburn Folsom Rd. Suite 700  
Granite Bay, California 95746  
Attn: Jatinder (“Nick”) Singh

(or to such other persons or address as Franchisor may from time to time furnish to Franchisee)

(b) If to Franchisee:

To the address first listed above (on page 1 of this Franchise Agreement or to such other persons or address as Franchisee may from time to time furnish to Franchisor)

18.6 Cost of Enforcement or Defense. If a claim for amounts owed by Franchisee to Franchisor is asserted in any arbitration or judicial proceeding or appeal thereof, or if Franchisor or Franchisee is required to enforce this Agreement in an arbitration or judicial proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and

expenses, including reasonable accounting and legal fees, arbitration administrative charges, arbitrators' compensation, and any other costs and expenses, whether incurred prior to in preparation for or in contemplation of the filing of an, written demand claim action, hearing or proceeding to enforce the obligations of this Agreement. If Franchisor incurs expenses (including, but not limited to, legal and accounting fees) in connection with Franchisee's failure to pay when due amounts owing to Franchisor, to submit when due any reports, information, or supporting records or otherwise to comply with this Agreement, Franchisee shall reimburse Franchisor for any such costs and expenses that it incurs.

#### 18.7 Severability.

(a) In the event that any provision of this Agreement, in whole or in part (or the application of any provision to a specific situation), shall be held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this Agreement such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and applied in such manner as to minimize such invalidity. All other provisions of this Agreement shall otherwise remain in full force and effect.

(b) If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or it under any applicable and binding law or regulation of any jurisdiction any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Franchisor shall have the unlimited right to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisor agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Any such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

18.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by both of the Parties hereto. A signed copy of this Agreement delivered by email, Docusign or other means of electronic transmission (to which a PDF copy is attached) will be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

18.9 Survival of Covenants. All provisions of this Agreement which, by their terms, are intended to survive the termination or expiration of this Agreement (such as, by way of illustration and not limitation, the provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions hereof necessary to enforce and interpret such provisions (such as, by way of illustration and not limitation, the provisions relating to arbitration and injunctive relief), shall survive the termination, expiration or cancellation of this Agreement or the franchise

granted hereunder, regardless of whether the provisions specifically state so.

18.10 No Third-Party Beneficiaries. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity not a party hereto.

18.11 Acknowledgment of Franchisee. Franchisee acknowledges and agrees as follows.

(a) Franchisee has received Franchisor's Franchise Disclosure Document and exhibits thereto (including a list of franchisees, Franchisor's financial statements and a copy of this Agreement) at least fourteen days before Franchisee signed this Franchise Agreement.

(b) Franchisor's salesmen are not authorized to bind Franchisor in any way.

(c) THERE HAVE BEEN NO REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, SALESMEN, MANAGERS, OFFICERS, OR EMPLOYEES, OR ANY OTHER SALESMEN OR OTHER PERSON OR ENTITY REGARDING FINANCING NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC WOSD FRANCHISED BUSINESS, NOR HAS FRANCHISEE RELIED UPON ANY REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, DIRECTORS, OFFICERS, EMPLOYEES OR SALESMEN OR OTHER ASSOCIATES REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC WOSD FRANCHISED BUSINESS OR FRANCHISE OR WITH RESPECT TO ANY OTHER MATERIAL FACT RELATING TO THE DEVELOPMENT OF FRANCHISOR'S FRANCHISES IN THE AREA WHEREIN THE FRANCHISEE INTENDS TO LOCATE ITS FRANCHISED RESTAURANT OR ANY OTHER MATTER PERTAINING TO FRANCHISOR.

(d) THERE IS NO OTHER AGREEMENT, REPRESENTATION OR WARRANTY MADE BY FRANCHISOR OR ANY OTHER ENTITY OR PERSON ASSOCIATED WITH FRANCHISOR OTHER THAN CONTAINED IN THIS AGREEMENT.

18.12 "Franchisee" Defined. The term "Franchisee" includes all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law and will be deemed to include not only the individuals or entity defined as the "Franchisee" on the attached Exhibit 2, but also all Principals of the entity that executes this Agreement. By signing this Agreement, each of the Principals of the entity that executes this Agreement as Franchisee acknowledges and accepts the duties and obligations imposed upon each of them, individually, by this Agreement. If two or more individuals are the "Franchisee" under this Agreement, their liability to Franchisor is joint and several.

18.13 "Person" Defined. The term "person" includes corporations, limited liability companies, partnerships joint ventures estates trusts and other entities and organizations, as well as individuals.

18.14 Patriot Act. Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the

Franchised Restaurant, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Department of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

*(((Remainder of page intentionally blank. Signature page follows.)))*

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date, as written above.

**FRANCHISOR**

**WORLD OF SOURDOUGH  
FRANCHISING, LLC,**  
a Texas limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Individually

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

OR:

(if a corporation or other legal entity)

\_\_\_\_\_  
Company Name

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

Franchise Agreement  
Exhibit 1

SPECIFIC FRANCHISE TERMS:

General Area; Specific Location; and Trade Name

1. Franchisor and Franchisee hereby agree that the General Area described in Section 1.2 of the Franchise Agreement to which this Exhibit is attached consists of the geographical area located in the State of \_\_\_\_\_ and situated within the following boundaries:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

A map of the General Area is attached hereto; however, in the event of a discrepancy between the map and the written description above, the written description controls. If any street, road, or highway serves as a boundary of the General Area, the actual boundary is the centerline of the street, road, or highway, and only the land and structures within such boundary are included in Franchisee's General Area.

Franchisor's Initials: \_\_\_\_\_

Franchisee's Initials: \_\_\_\_\_

2. Franchisor and Franchisee hereby agree that the Specific Location described in Section 1.2 of the Franchise Agreement to which this Exhibit is as follows:

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

County: \_\_\_\_\_

State: \_\_\_\_\_

Franchisor's Initials: \_\_\_\_\_

Franchisee's Initials: \_\_\_\_\_

3. Franchisee shall operate the Franchised Restaurant only under the trade name \_\_\_\_\_ (the "Trade Name"), shall use only Franchisor's approved logo as service marks to identify and distinguish the Franchised Restaurant, and shall use no other trade name, business name, or service mark in connection with the Franchised Restaurant.

Franchisor's Initials: \_\_\_\_\_

Franchisee's Initials: \_\_\_\_\_

This Exhibit 1 is to be attached to, incorporated in, and made a part of the Franchise Agreement between Franchisor and Franchisee. The parties are signing this Exhibit 1 on the dates below.

**WORLD OF SOURDOUGH  
FRANCHISING, LLC,**  
a Texas limited liability company

\_\_\_\_\_  
(Print Name)

By: \_\_\_\_\_

\_\_\_\_\_  
Individually

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Title: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

OR:

(if a corporation or other legal entity)

\_\_\_\_\_  
Company Name

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

Franchise Agreement  
Exhibit 2

IDENTIFICATION OF FRANCHISEE(S)

If Individual(s) -- List all information for each owner (add additional pages as necessary):

1. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_ %

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Home Telephone: \_\_\_\_\_

Cell Phone: \_\_\_\_\_ SSN: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

2. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_ %

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Home Telephone: \_\_\_\_\_

Cell Phone: \_\_\_\_\_ SSN: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

If Legal Entity:

Name: \_\_\_\_\_

Type of Entity (Check One):

\_\_\_\_\_ Corporation

\_\_\_\_\_ Limited Liability Company

\_\_\_\_\_ Limited Partnership

\_\_\_\_\_ Other – Describe: \_\_\_\_\_

State of Organization: \_\_\_\_\_

Date of Organization: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Statutory/Registered Agent: \_\_\_\_\_

Address of Agent: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Shareholders/Members/Partners (attach additional pages as necessary):

1. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_ %

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_

2. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_ %

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_

Each of the undersigned individual Franchisees, or each of the Principals of a non-individual Franchisee, hereby certify that the foregoing information is accurate and complete to the best of their knowledge and agree to notify Franchisor promptly of any change in any such information during the term of the Franchise Agreement to which this Exhibit 1 is attached.

1. \_\_\_\_\_

Printed Name: \_\_\_\_\_

2. \_\_\_\_\_

Printed Name: \_\_\_\_\_

(Attach additional names and signatures as required)

Franchise Agreement  
Exhibit 3

SERVICE MARKS

The following Marks have been registered with the United States Patent and Trademark Office (“USPTO”) on the principal register, in our name.

Mark	Application Number / Registration Number	Application Date / Registration Date
The following logo: 	Registration Number: 6873875	Registration Date: October 11, 2022
The following logo: IC 043: Self-service restaurant Services. 	Registration Number: 5370126	Registration Date: January 2, 2018
IC 043: Take-out restaurant Services.  <b>SOURDOUGH &amp; CO.</b>	Registration Number: 5343030	Registration Date: November 21, 2017

<p>IC 043: Fast casual restaurants featuring sandwiches, salads, and soups.</p> <p><b>NATURALLY BETTER!</b></p>	<p>Registration Number:</p> <p>6042633</p>	<p>Registration Date:</p> <p>April 28, 2020</p>
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Franchise Agreement  
Exhibit 4

AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS

The undersigned depositor (“DEPOSITOR”) hereby authorizes World of Sourdough Franchising, LLC (“PAYEE”) to initiate debit entries and/or credit correction entries to the Depositor’s checking account designated below, and authorizes the financial institution designated below (“BANK”) to debit such account pursuant to Payee’s instructions.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Address of Financial Institution

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
ZIP Code

\_\_\_\_\_  
Account Number

\_\_\_\_\_  
Bank Transit/Routing Number

This authority will remain in effect until BANK receives a written cancellation notification from DEPOSITOR in such time as to afford BANK a reasonable opportunity to act on it. DEPOSITOR may stop payment of any entry by notifying BANK at least three (3) business days before the entry is charged to DEPOSITOR’S account. DEPOSITOR may have the amount of any erroneous entry immediately credited to DEPOSITOR’S account by notifying BANK within fifteen (15) calendar days after BANK issues DEPOSITOR’S account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. These rights are in addition to any rights DEPOSITOR may have under federal and state banking or consumer protection laws.

Name of DEPOSITOR: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

A voided check must be attached to this form.



The undersigned has signed this instrument on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

By: \_\_\_\_\_

Acknowledge and subscribed before me, a  
Notary Public for such County and State on  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

Franchise Agreement  
Exhibit 6

IRREVOCABLE POWER OF ATTORNEY  
(Web Site)

KNOW ALL MEN BY THESE PRESENTS: That  
\_\_\_\_\_  
("Franchisee") does hereby irrevocably constitute and appoint World of Sourdough Franchising, LLC, a Texas limited liability company ("Franchisor") the true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept record and file all such agreements certificates, instruments and documents as in the sole discretion of Franchisor, may be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee's right title and interest in and to any and all web sites, web pages, listings, banners, URLs, advertisements or any other services and links related to Franchisee's business or use of Franchisor's trademarks, service marks or other logos on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services. Franchisor shall have the authority to execute and deliver on Franchisee's behalf any and all documentation required by the applicable company, the Internet, and regulatory agency, or other provider or services to Franchisee to transfer, modify or cancel such services, listings, or links. Franchisee hereby grants unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor will be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor will be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two years following the expiration or termination of the Franchise Agreement dated evenly herewith between Franchisor and Franchisee. The termination, however, will not affect the validity of any act or deed of Franchisor prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Texas and the laws of the State of Texas and will govern all questions as to its validity and the construction of its provisions.

The undersigned has signed this instrument on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

By: \_\_\_\_\_

Acknowledge and subscribed before me, a  
Notary Public for such County and State on  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC



The undersigned has signed this instrument on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

By: \_\_\_\_\_

Acknowledge and subscribed before me, a  
Notary Public for such County and State on  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

Franchise Agreement  
Exhibit 8

RESTRICTIVE COVENANT AGREEMENT

THIS AGREEMENT is by and between \_\_\_\_\_, a  
\_\_\_\_\_ Organized under the laws of the State of \_\_\_\_\_ (“Franchisee”), and  
\_\_\_\_\_ (“Covenantor”), an individual resident of the State of  
\_\_\_\_\_.

This Agreement arises from Covenantor’s involvement with the Franchised Restaurant located  
at:

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

County: \_\_\_\_\_

State: \_\_\_\_\_

RECITALS

WHEREAS, pursuant to that certain Franchise Agreement by and between Franchisee and World of Sourdough Franchising, LLC (“Franchisor”), Franchisor granted Franchisee a franchise to operate distinctive type of restaurant which serves the general public using Franchisor’s unique franchise system and Franchisor’s registered service mark and other proprietary marks (the “Franchise” or the “Franchised Restaurant”); and

WHEREAS, Covenantor is a shareholder, officer, partner, employee, and/or member of Franchisee; and

WHEREAS, Franchisor has expended substantial amounts of time and money in developing the Marks (as hereinafter defined) and Franchisor’s distinctive franchise system including, without limitation, recipes, unique services, sales and marketing methods, pricing techniques, promotional materials, new product/service development, financial information, and procedures for the operation of a location, all of which Covenantor acknowledges to be confidential and proprietary information; and

WHEREAS, in connection with the operation of the Franchise, Covenantor will have access to such confidential and proprietary information; and

WHEREAS, as a condition precedent to granting the Franchise to Franchisee, all shareholders, officers, partners, or members of Franchisee must execute the covenants contained herein.

NOW, THEREFORE, as additional consideration and inducement for granting the Franchise to Franchisee, Covenantor hereby agrees and covenants to Franchisee as follows:

1. Confidentiality. Covenantor acknowledges the proprietary and confidential nature of Franchisor's written standards and/or Operating Manuals, which Franchisee has received on loan from Franchisor, recipes, operations, unique services, sales and marketing methods, pricing techniques, promotional materials, new product/service development, financial information, customer or referral lists, procedures for the efficient operation of a franchise, and any other methods, procedures, processes, techniques, information, knowledge, or know-how concerning Franchisor's franchise system or Franchisee's Franchise, in particular, which may not be commonly known to the public or to Franchisor's or Franchisee's competitors and which Franchisor or Franchisee have identified or may identify as proprietary and confidential information ("Trade Secrets"). Covenantor shall use such Trade Secrets solely for Franchisee's benefit and shall not, during the term of the Franchise Agreement and Area Development Agreement, if applicable, between Franchisor and Franchisee (the "Franchise Agreement"), or at any time thereafter, communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, persons, partnership, association, or corporation.

2. Proprietary Marks. Covenantor acknowledges Franchisor's right, title, and interest in and to certain proprietary service marks, logos, symbols, and trade names presently used by Franchisor or which Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the "Marks"). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Marks. Covenantor expressly covenants that he/she shall not, directly, or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. Covenants During Franchise Agreement Term. Covenantor covenants that he/she shall not, during the term of the Franchise Agreement, either directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation:

(a) participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of store or other location or in the sale of products or services competitive with those offered by the Franchised Restaurant;

(b) divert or attempt to divert any business or customer of the Franchised Restaurant or of any other of Franchisor's company-owned, affiliate-owned, or franchised restaurant(s)/business(es) to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(c) employ or seek to employ any person who is at that time employed by Franchisor or any of its franchisees, or otherwise directly or indirectly induce or attempt to induce such person to leave his or her employment; or

(d) aid, assist or provide goods or services to any competitor of the Franchised Restaurant, Franchisor, or any other of Franchisor's franchisees.

The provisions of this Section shall survive the expiration, termination, or cancellation of this Agreement.

4. Non-Competition After Term of Franchise. Covenantor covenants that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, neither Covenantor nor persons associated with Covenantor will participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of a business or in the sale of products or services competitive with those offered by the Franchised Restaurant. This post-termination covenant applies to the entire county/parish in which the Franchised Restaurant is/was located (as identified above). The post-termination covenant shall also apply to the smaller of the following areas (a) a 15-mile radius of any other restaurant owned by Franchisor, its affiliates or its franchisees operating under the Franchisor's Marks (each a "WOSD Franchised Restaurant") in operation at the time of termination, or (b) any county/parish in which any WOSD Franchised Restaurant operates at the time of termination. The time period referred to in this section shall be stayed during any violation or breach of the terms of this Section. The provisions of this section shall survive the expiration, termination, or cancellation of this Agreement.

5. Remedies. Covenantor acknowledges that his/her violation of any of the covenants contained in this Agreement would result in irreparable injury to Franchisor and Franchisee for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor or Franchisee in obtaining, an injunction enjoining any conduct by Covenantor prohibited by the terms of the Agreement. This remedy shall be in addition to any and all other remedies which may be available to Franchisor or Franchisee.

6. Severability. The parties agree that each of the covenants contained in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant contained herein is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated and made a part of this Agreement.

7. Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

8. Construction. The parties agree that this Agreement shall be deemed to have been entered into in and shall be governed by and construed in accordance with the laws of the state in which the Franchised Restaurant is situated.

9. Jurisdiction. The parties agree that any action based upon this Agreement brought by any party hereto against any other party hereto may be brought within the State of Texas in the judicial district in which Franchisor has its principal place of business, and hereby consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue for the purpose of carrying out this provision.

10. Legal Expenses. In the event a dispute arises under this Agreement, the prevailing party shall be entitled to recover its expenses, including reasonable attorney and accountant fees, in addition to any other relief to which it may be found entitled.

11. Franchisor Third-Party Beneficiary. Covenantor and Franchisee acknowledge and intend

that the covenants contained in this Agreement shall directly benefit Franchisor, who shall be a third-party beneficiary thereof, entitled to enforce the provisions thereof in Franchisor's own name without Franchisee as a party in any action filed for such purpose, and shall further be entitled to all remedies provided in Section 5 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be executed by their duly authorized representative, as of the dates set forth below.

**COVENANTOR**

**FRANCHISEE**

Printed Name: \_\_\_\_\_

Company Name \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date:  
\_\_\_\_\_

Date:  
\_\_\_\_\_



Franchise Agreement  
Exhibit 9

PERSONAL GUARANTY

IN CONSIDERATION of and as an inducement for World of Sourdough Franchising, LLC, (“Franchisor”) to enter into the Franchise Agreement and related agreements (collectively the “Franchise Documents”) with \_\_\_\_\_ (“Franchisee”), the undersigned (“Guarantor(s)”) hereby jointly and severally guarantee to the Franchisor, and to the Franchisor’s successors and assigns (a) the timely payment of all franchise and other fees charges and interest provided for in the Franchise Agreement, (b) the timely payment of all principal, interest and other charges provided for in any and all promissory note(s), and (c) the timely performance of all of the provisions of the Franchise Documents for and during the term thereof (including all renewals thereof, if any). Guarantor(s) further specifically agree to be individually bound by all covenants, obligations and commitments of the Franchisee contained in the Franchise Documents to the same extent as if each of the Guarantor(s) had individually executed the Franchise Documents as Franchisee.

Guarantor(s) understand and agree that any modification of the Franchise Documents, including any addendum or addenda thereto, or waiver by the Franchisor of the performance by the Franchisee of its obligations thereunder, or the giving by the Franchisor of any extension of time for the performance of any of the obligations of the Franchisee thereunder, or any other forbearance on the part of the Franchisor or any failure by the Franchisor to enforce any of its rights under the Franchise Documents, including any addendum or addenda thereto, shall not in any way release Guarantor(s) from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of the Franchisee is so released, terminated, affected or diminished. Notice to Guarantor(s) of any such modification, waiver, extension, or forbearance under the terms thereof is hereby waived.

Guarantor(s) hereby (i) waive any and all notice of default on the part of the Franchisee, (ii) waive exhausting of recourse against the Franchisee, and (iii) consent to any assignment of the Franchise Documents, in whole or in part, that the Franchisor or its assignees may make. Guarantor(s) agree to pay all costs, including reasonable attorneys’ fees, incurred by Franchisor to collect or otherwise enforce the terms of this Guaranty. This Guaranty has been delivered in the State of California and shall be construed and enforced in accordance with the laws thereof. Jurisdiction and venue in any action to enforce this Guaranty shall be in any state or federal court within the State of California in the judicial district where Franchisor has its principal place of business. Guarantor(s) consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue.

\_\_\_\_\_  
Guarantor’s Signature  
  
Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Guarantor’s Signature  
  
Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Franchise Agreement  
Exhibit 10

LEASE ADDENDUM

This Lease Addendum is entered into as of the date of the Lease Agreement by and between \_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at \_\_\_\_\_ (“Premises”), which Tenant will use to operate a World of Sourdough franchised restaurant (“Restaurant”) under a Franchise Agreement between Tenant and World of Sourdough Franchising, LLC (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Lease premises only for a World of Sourdough franchised restaurant.
2. Notice of Default. Landlord will provide Franchisor, by certified U.S. mail or a recognized overnight delivery service at the address listed in Section 9 (below), a minimum thirty-day (30-day) notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.
3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.
4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty-day (30-day) notice period described in Section 2, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.
5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.
6. Assignment Upon Termination of Franchise Agreement or Area Development Agreement. Landlord and Tenant agree to the transfer or assignment of all of Tenant’s rights under the Lease to Franchisor upon (a) written notice by Franchisor to Landlord and Tenant of the termination of the Franchise Agreement or Area Development Agreement between Tenant and Franchisor (“Notice of Franchise Termination”), and (b) written notice by Franchisor to Landlord and Tenant of Franchisor’s intent to assume the Lease (“Notice of Assumption”). Such transfer or assignment shall be effective as of the date of the Notice of Assumption. In the event that Franchisor assumes the Lease, Franchisor shall not be liable to Landlord for any amounts due under the Lease prior to the Notice of Assumption. Instead, Landlord may only recover such amounts from Tenant and its guarantors, if any.

7. Right of Entry and Subordination. Landlord will give Franchisor access to the Store at reasonable times on not less than twenty-four (24) hours' notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Store for compliance with our requirements, to remove from the Restaurant any items bearing our marks or logos or to take other action permissible under the Agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

8. Vacating Premises. Upon vacating the Lease premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks or logos.

9. Access to Premises. During the term of this Lease, Landlord and Tenant acknowledge and agree that the Franchisor shall have unrestricted access to the Premises to inspect the Premises and Tenant's business operations.

10. Notices. Any notices to Franchisor hereunder will be sent to:

World of Sourdough Franchising, LLC  
8700 Auburn Folsom Rd., Suite 700  
Granite Bay, California 95746  
Attn: Jatinder ("Nick") Singh

11. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

12. Heirs and Successors. This Lease Addendum shall be binding upon and inure to the benefit of the parties (and Franchisor), their heirs, successors, and assigns.

13. Validity. Any invalidity of any portion of this Lease Addendum shall not affect the validity of the remaining portion and unless substantial performance of this Lease Addendum is frustrated by any such invalidity, this Lease Addendum shall continue in effect.

14. Governing Law. This Lease Addendum shall be governed by and construed in accordance with the internal laws of the State of California; however, if this Lease Addendum concerns a location in a state other than California and the laws of that other state require terms other than those or in addition to those contained herein, then this Lease Addendum shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Lease Addendum or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Lease Addendum which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Lease Addendum. Any prohibition against or unenforceability of any provisions of this Lease Addendum in any jurisdiction, including the state whose laws govern this Lease Addendum, shall not invalidate the provision, or render it unenforceable in any other jurisdiction. To the extent not prohibited by applicable law, Franchisee and Landlord waive any provision of law which renders any provision of this Lease Addendum prohibited or unenforceable in any respect.

15. Supremacy. This Addendum shall control and supersede any inconsistent provision of The Lease.

The parties have signed this Agreement the day and year referenced above.

<b>LANDLORD:</b>	<b>TENANT/FRANCHISEE:</b>
_____	_____
(name of individual/entity)	(name of individual/entity)
By: _____	By: _____
Printed Name: _____	Printed Name: _____
Title: _____	Title: _____

Franchise Agreement  
Exhibit 11

AREA DEVELOPMENT AGREEMENT

**WORLD OF SOURDOUGH FRANCHISING, LLC  
AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement is made this day \_\_\_\_ of \_\_\_\_\_, 20\_\_\_, between World of Sourdough Franchising, LLC, a Texas limited liability company with its principal business located at 8700 Auburn Folsom Road, Suite 700, Granite Bay, California 95746 ("we" or "us"), and "Developer" or "you" as identified on the Data Sheet attached as Appendix A (the "Data Sheet"). If the developer is a corporation, partnership or limited liability company, certain provisions of the Agreement also apply to your owners and will be noted.

**RECITALS**

- A. We have developed a unique system for the establishment and operation of a sandwich restaurant where you will provide handcrafted sandwiches, soups, salads, and any related services and products that are offered now, and in the future,
- B. We own the "World of Sourdough," "Sourdough & Co." and "Naturally Better" Trademarks and other trademarks used in connection with the operation of a World of Sourdough Restaurant and
- C. You desire to develop and operate several World of Sourdough restaurants, and
- D. We have agreed to grant you the right to develop World of Sourdough restaurants subject to the terms and conditions of this Agreement.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

**DEFINITIONS**

- 1. For purposes of this Agreement, the terms below have the following definitions:
  - A. "Gross Sales" includes the total revenues and receipts from the sale of all products, services and merchandise sold in your Restaurant, including those taken by cash, credit card, debit card, check, trade, barter or exchange, electronic funds transfer, or any other means of credit, which are derived from the operations of your Restaurant, including all sales and other income (recognized on an accrual basis), whether cash or credit (regardless of collection in the case of credit), less (i) refunds and discounts made to customers in good faith and in accordance with Franchisor's policies, and (ii) sales or excise taxes which are separately stated and which Franchisee may be required to and does collect from clients and pays to any federal, state, or local taxing authority.
  - B. "Manual" or "Operating Manual" means any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures and recommendations for your Restaurant all of which we may change from time to time.
  - C. "Restaurant" means the World of Sourdough restaurant(s) you develop and operate pursuant to this Agreement.
  - D. "System" means the Restaurant established and operated under a comprehensive design that includes, but is not limited to, a unique and comprehensive system providing handcrafted sandwiches, soups, salads, products, services, and equipment; specifications and procedures for operations; quality customer service; management and financial control; training and assistance; and advertising and promotional programs offered in a setting of distinctive exterior and interior layout, design, art, and color scheme, signage, furnishings and materials

and using certain distinctive types of facilities, equipment, supplies, business techniques, methods and procedures, all of which we may modify and change from time to time.

E. "Trademarks" means the "World of Sourdough," "Sourdough & Co.," and "Naturally Better" Trademarks that have been registered with the United States Patent and Trademark Office ("USPTO") and the trademarks, service marks and trade names set forth in each Franchise Agreement, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Restaurants. Trade dress includes the designs, color schemes and images we authorize you to use in the operation of the Restaurants from time to time.

### **GRANT OF DEVELOPMENT RIGHTS**

2. The following provisions control with respect to the rights granted hereunder:

A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate ( \_\_\_\_\_ ) World of Sourdough Restaurants (the "Restaurants" or "WOSD Restaurant").

B. You are bound by the development schedule ("Development Schedule") set forth in Appendix B. Time is of the essence for the development of each Restaurant in accordance with the Development Schedule. Each Restaurant must be developed and operated pursuant to a separate Franchise Agreement that you enter into with us pursuant to Section 4.B below.

C. The rights granted under this Agreement are limited to the right to develop and operate WOSD Restaurants and do not include any right to (i) provide and sell sandwiches, soups, salads, products and equipment identified by the Trademarks at any location other than the WOSD Restaurants, (ii) provide sandwiches, soups, salads, products and equipment through alternative channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), (iii) exclude, control or impose conditions on our development or operation of franchised, company or affiliate owned Restaurants at any time or at any location. You may not use the wording World of Sourdough or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity.

You acknowledge and agree that we have the right to operate and franchise others the right to operate Restaurants or any other business under the Trademarks or any trademarks other than the World of Sourdough Trademarks without paying you any compensation. We also have the right to offer, sell or distribute any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names or through any distribution channel or method, all without paying you any compensation.

You acknowledge and agree that we have the sole and exclusive right to develop or franchise World of Sourdough Restaurants at the following locations (1) military bases, (2) public transportation facilities, (3) student unions or other similar buildings on college or university campuses, and (4) community and special events ("Special Sites").

D. This Agreement is not a Franchise Agreement and you have no right to use in any manner the Trademarks by virtue of this Agreement. You have no right under this Agreement to sublicense or sub-franchise others to operate a business or Restaurant or use the System or the Trademarks.

**AREA DEVELOPMENT FEE**

3. You must pay an Area Development Fee as described below:

A. As a Developer, you will pay an Initial Franchise Fee for each Restaurant you agree to develop under the terms of this Agreement at the time of execution of the franchise agreement for each unit. Specifically, if you agree to develop (10) Restaurants, your Initial Franchise Fee for the first Restaurant will be \$49,500 and \$40,000 for the second Restaurant, \$35,000 for the third Restaurant, and \$30,000 for the purchase of any additional individual Restaurants. The following table represents the Initial Franchise Fee Schedule. The Area Development Fee will be credited against the applicable Initial Franchise Fee at the time of execution of the additional franchise agreement. You will pay the total Area Development Fee upon the signing this Agreement. The Area Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, if fully earned by us upon receipt and is non-refundable.

**Table 1**

<b>Franchised Unit</b>	<b>Base Fees</b>
First Franchised Unit	\$49,500
Second Franchised Unit	\$40,000
Third Franchised Unit	\$35,000
Fourth Franchised Unit	\$30,000
Fifth Franchised Unit	\$30,000
Sixth Franchised Unit	\$30,000
Seventh Franchised Unit	\$30,000
Eighth Franchised Unit	\$30,000
Ninth Franchised Unit	\$30,000
Tenth Franchised Unit	\$30,000

B. You must submit a separate application for each Restaurant to be established by you as further described in Section 4. Upon our receipt and review of the application, a separate Franchise Agreement must be executed for each such Restaurant at which the Initial Franchise Fee for that Restaurant will be credited against the Area Development Fee. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of such Restaurant.

**DEVELOPMENT SCHEDULE**

4. The following provisions control with respect to your development rights and obligations:

A. You are bound by and must strictly follow the Development Schedule. By the dates set forth under the Development Schedule, you must enter into Franchise Agreements with us pursuant to this Agreement for the number of Restaurants described under the Development Schedule. You also must comply with the Development Schedule requirements regarding (i) the opening date for each Restaurant and (ii) the cumulative number of Restaurants to be opened and continuously operating for business. If you fail to either execute a Franchise Agreement or to open a Restaurant according to the dates set forth in the Franchise Agreement, we have the right to immediately terminate this Agreement pursuant to Section 7.B.

B. You may not develop a Restaurant unless (i) at least 45 days, but no more than 60 days, prior to the date set forth in the Development Schedule for the execution of each Franchise Agreement, you send us a notice (a) requesting that we send you our then current disclosure documents, (b) confirming your intention to develop your next Restaurant and (c) sending us all information necessary to complete the Franchise Agreement for the particular Restaurant, and (ii) all of the following conditions have been met (these conditions apply to each Restaurant to be developed under the terms of this Agreement):

1. Your Submission of Information. You must furnish to us, at least 30 days prior to the earliest of (i) the date set forth in the Development Schedule by which you must execute a Franchise Agreement or (ii) the actual date in which the Franchise Agreement would be executed, a franchise application for the proposed Restaurant financial statements and other information regarding you, the operation of any of your other Restaurant and the development and operation of the proposed Restaurant (including, without limitation, investment and financing plans for the proposed Restaurant) as we may reasonably require.

2. Your Compliance with Our Then-Current Standards for Franchisees. You must receive written confirmation from us that you meet our then-current standards for franchisees, including financial capability criteria for the development of a new Restaurant. You acknowledge and agree that this requirement is necessary to ensure the proper development and operation of your Restaurant, and to preserve and enhance the reputation and goodwill of all World of Sourdough Restaurants and the goodwill of the Trademarks. Our confirmation that you meet our then-current standards for the development of a new Restaurant, however, does not in any way constitute a guaranty by us as to your success.

3. Good Standing. You must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between you or any of your affiliates and us. You also must have satisfied on a timely basis, all monetary and material obligations under the Franchise Agreements for all existing Restaurants.

4. Execution of Franchise Agreement. You and we must enter into our then-current form of Franchise Agreement for the proposed Restaurant. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be materially different than the current form of Franchise Agreement, including different fees and obligations. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of such Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Restaurant must be in accordance with the terms of the applicable Franchise Agreement.

C. Upon the execution of the Franchise Agreement for the proposed Restaurant, the terms and conditions of the Franchise Agreement regarding site selection and construction will control.

D. You must construct, design and equip each Restaurant in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, design and layout of the building. You may not commence construction on any Restaurant until you have received our written consent to your building plans.

E. You acknowledge that you have conducted an independent investigation of the prospects for the establishment of the Restaurant and recognize that the business venture contemplated by this Agreement involves business and economic risks and that your financial and business success will be primarily dependent upon the personal efforts of you and your management and employees. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross sales, profits, earnings or the financial success of the Restaurants you develop.

F. You recognize and acknowledge that this Agreement requires you to open Restaurants in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increase over time, and that future Restaurants likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to you prior to the execution of this Agreement. You are obligated to execute all the Franchise Agreements and open all the Restaurants on the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Restaurants, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Agreement if you have not complied with each and every condition necessary to develop the Restaurants.

### **TERM**

5. Unless sooner terminated in accordance with Section 7 of this Agreement and subject to the terms detailed in Section 2.C, the term of this Agreement and all rights granted to you will expire on the date that your last Restaurant is scheduled to be opened under the Development Schedule.

### **YOUR DUTIES**

6. You must perform the following obligations:

A. You must comply with all of the terms and conditions of each Franchise Agreement, including the operating requirements specified in each Franchise Agreement.

B. You and your owners, officers, directors, shareholders, partners, members and managers (if any) acknowledge that your entire knowledge of the operation of a World of Sourdough Restaurant and the System, including the knowledge or know-how regarding the specifications, standards and operating procedures of the services and activities, is derived from information we disclose to you and that certain information is proprietary, confidential and constitutes our trade secrets. The term "trade secrets" refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to our competitors and any proprietary information contained in the manuals or otherwise communicated to you in writing, verbally or through the Internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Restaurant. You and your owners, officers, directors, shareholders, partners, members and managers (if any), jointly and severally, agree that at all times during and after the term of this Agreement, you will maintain the absolute confidentiality of all such proprietary information and will not disclose, copy, reproduce, sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by us. We may require that you obtain non-disclosure and confidentiality agreements in a form satisfactory to us from the individuals identified in the first sentence of this paragraph and other key employees.

C. You must comply with all requirements of federal, state and local laws, rules and regulations.

### **DEFAULT AND TERMINATION**

7. The following provisions apply with respect to default and termination:

A. The rights granted to you in this Agreement have been granted in reliance on your representations and warranties, and strictly on the conditions set forth in Sections 2, 4 and 6 of this Agreement, including the condition that you comply strictly with the Development Schedule.

B. You will be deemed in default under this Agreement if you breach any of the terms of this Agreement, including the failure to meet the Development Schedule, or the terms of any Franchise Agreement or any other agreements between you or your affiliates and us. All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if (i) you become insolvent, commit any affirmative action of insolvency or file any action or petition of insolvency, (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority, (iii) you make a general assignment or other similar arrangement for the benefit of your creditors, (iv) a final judgment remains unsatisfied of record for 30 days or longer (unless supersedeas bond is filed), (v) execution is levied against your business or property, (vi) suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed, (vii) you fail to meet the development obligations set forth in the Development Schedule attached as Appendix B, (viii) you violate the provisions of Section 10 (ix) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you, or (x) we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

C. If we violate a material and substantial provision of the Agreement and we fail to remedy or to make substantial progress toward curing the violation within sixty (60) days after receiving written notice from Franchisee detailing our alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. Any termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of material and substantial provision of this Agreement by us and our failure to cure such breach within sixty (60) days after receipt of written notice thereof, shall not be permitted.

#### **RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION**

8. Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

A. All remaining rights granted to you to develop Restaurants under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees. You will have no right to develop or operate any business for which a Franchise Agreement has not been executed by us.

B. You must immediately cease to operate your business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former developer of ours.

C. You must take such action as may be necessary to cancel or assign to us or our designee, at our option, any assumed name or equivalent registration that contains the name World of Sourdough or Trademark of ours, and you must furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement.

D. You must assign to us or our designee all your right, title, and interest in and to your telephone numbers and must notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number in any regular, classified or other telephone directory listing associated with the Trademarks and to authorize transfer of same at our direction.

E. You must within 30 days of the termination or expiration pay all sums owing to us. If at the time of termination, you have not signed a Franchise Agreement for a Restaurant(s) that you agreed to develop under this Agreement, we will not refund any portion of the Area Development Fee you paid to us nor will we charge you any additional fees for these undeveloped Restaurants. All unpaid amounts will bear an interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In the event of termination for any default by you, the sums due will include all

damages, costs, and expenses, including reasonable attorneys' fees and expenses, incurred by us as a result of the default. You also must pay to us all damages, costs and expenses, including reasonable attorneys' fees and expenses that we incur subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

F. All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

### **TRANSFER**

9. The following provisions govern any transfer:

A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.

B. This Agreement is entered into by us with specific reliance upon your personal experience, skills and managerial and financial qualifications. Consequently, this Agreement, and your rights and obligations under it, are and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer all of your rights and interests under all Franchise Agreements for Restaurants opened pursuant to this Agreement. Accordingly, the assignment terms and conditions of the Franchise Agreements will apply to any Transfer of your rights and interests under this Agreement. As used in this Agreement, the term "Transfer" means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.

### **MISCELLANEOUS**

10. The parties agree to the following provisions:

A. You agree to indemnify, defend, and hold us and our officers, directors, shareholders and employees harmless from and against any and all claims, losses, damages and liabilities, however caused, arising directly or indirectly from, as a result of, or in connection with, the development, use and operation of your Restaurants, as well as the costs, including attorneys' fees, of defending against them ("Franchise Claims"). Franchise Claims include, but are not limited to, those arising from any death, personal injury or property damage (whether caused wholly or in part through our active or passive negligence), latent or other defects in any Restaurant or your employment practices. In the event a Franchise Claim is made against us, we reserve the right in our sole judgment to select our own legal counsel to represent our interests, at your cost.

B. If one or more clauses of this Agreement are held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses.

C. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. This Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us.

D. This Agreement together with all schedules, addenda and appendices to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of representations about us made by our shareholders, officers, directors, members, managers, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

E. Except as otherwise provided in this Agreement, any notice, demand or communication provided for must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid and addressed as follows:

1. If intended for us, addressed to World of Sourdough Franchising, LLC at 8700 Auburn Folsom Rd., Suite 700, Granite Bay, California 95746.

2. If intended for you, addressed to you at the address set forth on the Data Sheet, or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

F. Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by Developer (or an owner of Developer if Developer is a legal entity) or, if on behalf of us, in writing executed by our President or one of our authorized officers.

G. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 10.N of this Agreement, the parties' rights under this Agreement, and the relationship between the parties, is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state where you are located.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute, and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the express limitations set forth in this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

H. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 10.N must be brought in the state or federal district court located in the county or district encompassing our headquarters. Both parties irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding, agree to be bound in the manner set forth.

I. All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.

J. You and your affiliates and we agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.

K. If you are a corporation, partnership, limited liability company or partnership or other legal entity, all of your owners must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes an owner must execute the form of undertaking and guarantee at the end of this Agreement.

L. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

M. In the event of any failure of performance of this Agreement according to its terms by any party, the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement.

N. Except as qualified below, any dispute between you and us or any of your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association pursuant to its then-current commercial arbitration rules and procedures. Any arbitration must be on an individual basis, and the parties and arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of clause is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts. The arbitration must take place in the city where our headquarters is located at the time of the dispute. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five years of significant experience in franchise law. A judgment may be entered upon the arbitration award by any state or federal court in the state where we maintain our headquarters. The decision of the arbitrator will be final and binding on all parties to the dispute, however, the arbitrator may not under any circumstances (i) stay the effectiveness of any pending termination of this Agreement, (ii) assess punitive or exemplary damages, or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set.

Before any party may bring an action in court or against the other or commence an arbitration proceeding (except as noted below), the parties must first meet to mediate the dispute. The mediation will be held

in the city in which our headquarters are located at the time of the mediation. Any such mediation will be non-binding and conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes.

Nothing in this Agreement bars either party's right to obtain injunctive relief against threatened conduct that will cause loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Furthermore, we have the right to commence a civil action against you or take other appropriate action for the following reasons to collect sums of money due to us, to compel your compliance with trademark standards and requirements to protect the goodwill of the Trademarks, to compel you to compile and submit required reports to us, or to permit evaluations or audits authorized by this Agreement.

The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable attorneys' fees and costs.

O. During the term of this Agreement, neither we nor you may employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during the prior six months employed in any type of managerial position by the other party or any of its affiliates, or by any franchisee in the System. In the event that you violate this provision, we will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 7.B. In addition, any party who violates this provision agrees to compensate the former employer for all costs and expenses incurred in losing and replacing the employee up to a maximum of \$25,000, plus attorneys' fees and expenses. This subparagraph will not be violated if (i) at the time we or you employ or seek to employ the person, the former employer has given its written consent or (ii) we employ or seek to employ the person in connection with the transfer of the Restaurant(s) to us. The parties acknowledge and agree that any franchisee from whom an employee was hired by you in violation of this subparagraph shall be a third-party beneficiary of this provision, but only to the extent that they may seek compensation from you.

P. We will designate the "Effective Date" of this Agreement in the space provided on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we sign this Agreement.

Q. You represent and warrant to us that (a) you are not named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the US Treasury Department's Office of Foreign Assets Control currently located at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/); (b) you will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the US Patriot Act (currently located at [www.epic.org/privacy/terrorism/hr3162.html](http://www.epic.org/privacy/terrorism/hr3162.html).) U S Executive Order 13244 (currently located at [www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html](http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html) or any similar laws, and (c) you shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

**IN WITNESS WHEREOF**, the parties have executed the foregoing Agreement as of the dates written below.

**Franchisor: World of Sourdough Franchising,  
LLC**

By: \_\_\_\_\_  
Jatinder ("Nick") Singh

Its: \_\_\_\_\_  
President

**Franchisee:** \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND  
PERSONALLY BY THE TERMS AND CONDITIONS  
OF THE AREA DEVELOPMENT AGREEMENT

In consideration of the execution of the Area Development Agreement (the "Agreement") between World of Sourdough Franchising, LLC ("we" or "us") and \_\_\_\_\_ (the "Developer"), dated \_\_\_\_\_, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Developer, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned waives (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed, (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed, (3) any right he/she may have to require that an action be brought against the Developer or any other person as a condition of liability, and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the Developer.

In addition, the undersigned consents and agrees that (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Developer or any other person, (2) such liability will not be diminished, relieved or otherwise affected by the Developer's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned, and (3) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Developer with or without the undersigned receiving notice thereof.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

**DEVELOPER:** \_\_\_\_\_

**PERSONAL GUARANTORS:**

_____ Individually	_____ Individually
_____ Print Name	_____ Print Name
_____ Address	_____ Address
_____ City                      State                      Zip Code	_____ City                      State                      Zip Code
_____ Telephone	_____ Telephone
_____	_____

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Individually

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Print Name

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Address

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City                      State                      Zip Code

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Telephone

---

Individually

---

Print Name

---

Address

---

City                      State                      Zip Code

---

Telephone

**APPENDIX A**

**DATA SHEET**

1. Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Effective Date: \_\_\_\_\_

**Franchisor: World of Sourdough Franchising,  
LLC**

By: \_\_\_\_\_  
Jatinder (“Nick”) Singh

Its: President

**Developer:** \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

**APPENDIX B**

**DEVELOPMENT SCHEDULE**

You acknowledge and agree that a material provision of the Area Development Agreement is that the following number of World of Sourdough Restaurants must be opened and continuously operating in accordance with the following Development Schedule:

<b>Restaurant Number</b>	<b>Date by Which Franchise Agreement Must be Signed</b>	<b>Date by Which the Restaurant Must be Opened and Continuously Operating for Business</b>	<b>Cumulative number of Restaurants Required to be Open and Continuously Operating for Business as of the Date in Preceding Column</b>
1	Date of this Agreement		1
2			2
3			3

For purposes of determining compliance with the above Development Schedule, only (1) the Restaurants actually open and continuously operating for business as of a given date will be counted toward the number of Restaurants required to be open and continuously operating for business, and (2) only the new Restaurants you develop, open, and continuously operate in the Development Territory will count towards the number of cumulative number of Restaurants required to be open and continuously operating in the Development Territory. Any Restaurant that you or your affiliates acquire from us or another World of Sourdough franchisee will not be counted towards the cumulative number of Restaurants required to be open and continuously operating in the Development Territory under the Development Schedule above.

Development Fee. The Development Fee payable under the Area Development Agreement is \$150,000, which is \$15,000 times the minimum number of Restaurants (10) that you are required to develop in the Development Territory under the Development Schedule. For each additional Restaurant over the minimum of ten (10), the Development Fee is \$15,000.

*[Signatures on following page]*

**Franchisor: World of Sourdough Franchising,  
LLC**

By: \_\_\_\_\_  
Jatinder ("Nick) Singh

Its: President

**Developer:** \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT C:**

**SAMPLE COPY OF GENERAL RELEASE**

**SAMPLE COPY OF GENERAL RELEASE**

The undersigned \_\_\_\_\_ (“**Releasor**”),

\_\_\_\_\_ an individual domiciled in the State of \_\_\_\_\_, OR

\_\_\_\_\_ a legal business entity organized under the laws of the State of \_\_\_\_\_,

and Releasor’ heirs, administrators, executors, parents, affiliates, owners, officers, directors, managers, shareholders, members, employees, agents, representatives, successors and assigns, (collectively “**Releasor-Parties**”), for good and valuable consideration, the receipt of which is hereby acknowledged, hereby release, and forever discharge World of Sourdough Franchising, LLC (“**Franchisor**”), a Texas limited liability company and its parents, affiliates, and their respective representatives, owners, officers, directors, managers, shareholders, members, employees, agents, successors and assigns, (collectively, the “**Franchisor-Released-Parties**”) from any and all claims, whether at law or in equity, and all contracts, controversies, claims, and demands, judgments and causes of action of any kind whatsoever, at law or in equity, that Releasor and/or any of the Releasor-Parties ever had, now have or may have against any of the Franchisor-Released-Parties, whether known or unknown, vested or contingent, which any of the Releasor-Parties ever owned or held, now owns or holds, or may in the future own or hold including, without limitation, (i) any and all claims arising out of or related to that certain Franchise Agreement between Franchisor and Releasor dated \_\_\_\_\_ (the “**Franchise Agreement**”); (ii) the offer and sale of any World of Sourdough franchise opportunity; (iii) the ownership of operation of the franchised business which is the subject of the Franchise Agreement; and (iv) any and all claims arising under federal, state, and local laws, rules, and ordinances related to any of the above. Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require. This Release may not be changed orally. Releasor acknowledges that this General Release extends to claims of which Releasor may not know or suspect to exist at the time of executing this General Release, which if were known to Releasor may have materially affected Releasor’s decision to enter into this General Release. Releasor expressly assumes the risk of the facts turning out to be so different and agree that this General Release shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the date set forth below.

**RELEASOR:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[This General Release will be modified as necessary for consistency with any relevant state law regulating franchising.]

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT D:**

**ADDITIONAL STATE-REQUIRED DISCLOSURES**

The following modifications are to the World of Sourdough Franchising, LLC’s Disclosure Document and will supersede certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_.

**I. FRANCHISOR/FRANCHISEE RELATIONSHIP STATUTES  
(Including Renewal and Termination Rights)**

For franchises governed by laws of the following states:

CALIFORNIA, COLORADO, HAWAII, ILLINOIS, INDIANA, IOWA, MARYLAND,  
MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA,  
WASHINGTON, WISCONSIN

These states have statutes that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise:

ARKANSAS	Stat. Section 4-72-201 to 4-72-210
CALIFORNIA	Corporations Code Sections 31000 to 31516
CONNECTICUT	Gen. Stat. Section 42-133e to 42-133h
DELAWARE	Code, Tit. 6, Ch. 25, Sections 2551-2557
HAWAII	Rev. Stat. Section 482E-1 to 482E-12.
ILLINOIS	Rev. Stat. 815. ILCS 705/19 and 705/1 to 705/44
INDIANA	Stat. Sections 23-2-2.5.1 and 23-2-2.5.50
IOWA	Code Sections 523H.1 to H.17
MARYLAND	Business Regulation Code Ann. 14-201 to 14-233
MICHIGAN	Stat. Section 445.1501 to 445.1545
MINNESOTA	Stat. Section 80C.01 to 80C.22
MISSISSIPPI	Code Section 75-24-51 to 75-24-61
MISSOURI	Stat. Section 407.400 to 407-420
NEBRASKA	Rev. Stat. Section 87-401 to 87-414
NEW JERSEY	Stat. Section 56:10-1
NEW YORK	NY Gen. Bus 680 to 695
RHODE ISLAND	Gen. Laws 6-50-1 to 6-50-9
VIRGINIA	Code 13.1-557-57 to 13.1-574
WASHINGTON	Code Section 19.100.01 to 19.100.940
WISCONSIN	Stat. Section 135.01 to 135.065

These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In addition,

**ILLINOIS** Illinois franchisees should note that the conditions under which your franchise can be terminated, and your rights upon non-renewal are governed by Illinois laws, Illinois Compiled Statutes 815 ILCS 709/19 and 709/20.

Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**INDIANA** Indiana franchisees should note that Indiana Law provides that it is unlawful for a Franchise Agreement to contain certain provisions in the area of required purchases, modification, competition, increases in the price of goods on order termination and non-renewal, covenants not to compete, and limitations on litigation. Indiana law also prohibits franchisors from engaging in certain acts and practices, including coercion, refusing delivery of goods or services, denying the surviving spouse or estate of the Franchisee an opportunity to participate in the ownership of the franchise, unreasonable competition, unfair competition, unfair discrimination among franchisees, and using deceptive advertising.

**MINNESOTA** law requires that with respect to the franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5 which require except in certain specific cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Pursuant to Minn. Stat. Sec. 80C.12, to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will

protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify us from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17.Subd.5.

\_\_\_\_\_  
(Signature of Franchisee)

\_\_\_\_\_  
(Name of Franchisee)

\_\_\_\_\_  
(Title)

**RHODE ISLAND** Notwithstanding anything in this Agreement to the contrary, all Rhode Island located franchisees will be governed by the Rhode Island Franchise Investment Act.

**WASHINGTON** If any of the provisions of this Franchise Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over inconsistent provisions of the Franchise Disclosure Document and the Franchise Agreement with regard to any franchise sold in Washington.

**WISCONSIN** Chapter 135, Stats. of the Wisconsin Fair Dealership Law supersedes any provisions of the Franchise Agreement that may be inconsistent with that law.

**II. POST-TERM COVENANTS NOT TO COMPETE**

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, HAWAII, ILLINOIS, INDIANA, MARYLAND,  
MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND,  
SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes which limit the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

California Business and Professions Code

Sections 16.600 to 16.607

Michigan Compiled Laws	Section 445.771 et seq.
Montana Codes	SECTION 30-14-201
North Dakota Century Code	Section 9-08-06
Oklahoma Statutes	Section 15-217-19
Washington Code	Section 19.86.030

Other states have court decisions limiting the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

### III. **TERMINATION UPON BANKRUPTCY**

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, ILLINOIS, INDIANA, MARYLAND, MICHIGAN,  
MINNESOTA, NEW YORK, VIRGINIA, WASHINGTON, WISCONSIN

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

### IV. **LIQUIDATED DAMAGES PROVISIONS**

The following states have statutes which restrict or prohibit the imposition of liquidated damages provisions:

CALIFORNIA	Civil Code Section 1671
INDIANA	IC 23.2-2.5-2
MINNESOTA	Rule 2860.4400

State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contact law, and state and federal court decisions.

For franchises governed by the laws of the state of MINNESOTA, liquidated damage provisions are void.

### V. **STATE ADDENDUMS**

The following are Addendums for Franchises governed by the laws of the respective states as follows:

#### **CALIFORNIA**

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document.

The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et. Seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)

The highest interest rate allowed by law in California is 10% annually.

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in Placer County, Texas with the costs being borne by the prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the law of California. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. The Franchise Agreement is hereby amended to include the following language:

"No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

**ILLINOIS**

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration in a venue outside of Illinois.

The governing law or choice of law clause described in the Disclosure Document (including a risk factor on the cover page) and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application for the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Item 5 of the Disclosure Document and Section 4.1 of the Franchise Agreement is hereby amended if the Attorney General of Illinois requires the following: to provide that all initial franchise fees are deferred, or alternatively, deposited into escrow, until all Franchisor’s pre-opening obligations to franchisee have been met and the franchisee is open for business. This deferral requirement has been imposed by the Illinois Attorney General’s Office based upon Franchisor’s financial condition. A financial assurance is not required as a condition of registration.

Illinois law requires that the Franchisor give you a copy of the Disclosure Document as registered with the Attorney General together with a copy of all proposed agreements relating to the sale of the franchise before the earlier of:

1. 14 days before our execution of a binding Franchise Agreement or other agreement, and
2. 14 days before the Franchisor receives any payment from you.

Your rights upon termination and non-renewal of the Franchise Agreement and the Area Development Agreement are set forth in Section 19 and Section 20 of the Illinois Franchise Disclosure Act.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

WORLD OF SOURDOUGH FRANCHISING, LLC

FRANCHISE

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**INDIANA**

To the extent that Item 17 of the Disclosure Document and Section XVIII of the Franchise Agreement are inconsistent with the Indiana Deceptive Franchise Practice Law, which prohibits a prospective general release of any claims for liability imposed under it, the Indiana Deceptive Franchise Practice Law may supersede such inconsistent terms.

To the extent that Item 17 of the Disclosure Document and Section XXIV and Schedule 8 of the Franchise Agreement are in conflict with Section 2.7-1(9) of the Indiana Deceptive Franchise Practice Law, prohibiting non-competition agreements exceeding 3 years or an area greater than the exclusive area granted in the Franchise Agreement, Indiana law shall prevail.

Section 2.7-1(10) of the Indiana Deceptive Franchise Practice Law, which prohibits limiting litigation brought for breach of the agreement, supersedes items in this Disclosure Document and Franchise Agreement, to the extent that such items are inconsistent with Section 27-1(10) of the Indiana Deceptive Franchise Practice Laws.

### **MARYLAND**

Item 17 of Disclosure Document and Section XXII of the Franchise Agreement requiring that franchisee sign a general release as a condition of purchase/renewal or assignment/transfer, may not be enforceable pursuant to the Maryland Franchise Registration and Disclosure Law, and are amended to the extent required by Maryland law. The requested release shall not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Any provisions of the Disclosure Document or Franchise Agreement that require franchisee to disclaim the occurrence of or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Provisions in the Disclosure Document and Franchise Agreement requiring franchisee to file any lawsuit in a court in the State of California may not be enforceable under the Maryland Franchise Registration and Disclosure Law. Franchisees may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Item 17 of the Disclosure Document and Section XXV of the Franchise Agreement are amended accordingly to the extent required by Maryland law.

To the extent that Franchise Agreement requires, and the Disclosure Document discloses that a Franchisee must agree to a period of limitations of less than three years, this limitation to a period of less than three years shall not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 5 of the Disclosure Document and Sections IX(C) of the Franchise Agreement is amended to provide that the initial franchise fee and any other initial payments are due and payable when all Franchisor's pre-opening obligations to franchisee have been met.

On the next page is the form of release that will be requested of Maryland franchisees as a condition to the franchisor's consent to the transfer of the franchise.

**FORM OF RELEASE FOR MARYLAND FRANCHISEES**

This Release is made on \_\_\_\_\_, 20\_\_\_\_, between World of Sourdough Franchising, LLC, a Texas limited liability company (“Franchisor”) and its officers, directors, and agents (“Affiliates”), and \_\_\_\_\_ (“Franchisee”).

**RECITALS**

- A. Franchisor and Franchisee entered into a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) in which Franchisor granted franchisee the right to located, develop, and operate a WOSD franchise business (the “Franchised business”), and Franchisee assumed obligations to located, develop, and operate the franchised Business.
  
- B. As a condition to Franchisor’s consent to the transfer of the Franchised Business, Franchisee is willing to release franchisor from certain obligations arising from the Franchise Agreement and related agreements, and any claims franchisee may have against each Franchisee as described herein.

**AGREEMENT**

**1. RELEASE AND COVENANT NOT TO SUE**

Subject to the terms of this Release, and in consideration for the consent described above, Franchisee and the undersigned individual guarantors, if applicable, hereby release and discharge and hold harmless Franchisor, its principals, agents, shareholders, officers, directors, employees, successors, assigns, subsidiaries, and affiliated groups and each of them (“Affiliates”), from any and all losses, claims, debts, demands, liabilities, actions, and causes of action, of any kind, whether known or unknown, past or present, that any of them may have or claim to have against Franchisor or its Affiliates and any of them before or on the date of this release, arising out of or related to the offer, negotiation, execution, and performance of the Franchise Agreement, the operation of the Franchised Business, and all circumstances and representations relating to such offer, negotiation, execution, performance, and operation (collectively, “Released Claims”, except as specifically reserved:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Franchisee and guarantors agree that Released Claims shall specifically include any claim or potential claims under the Title 14 Sections 14-201 through 14-233 of the Maryland Annotated Code and laws otherwise governing relationships between franchisors and franchisees. Franchisee and guarantors hereby covenant and agree that none of them will bring any action against Franchisor or its Affiliates in connection with any Released Claim.

**2. NO ADMISSION**

Nothing contained in this Agreement shall be construed as an admission of liability by either party.

3. **NO ASSIGNMENT**

Each party represents and warrants to the other that it has not assigned or otherwise transferred or subrogated any interest in the Franchise Agreement or in any claims that are related in any way to the subject matter of this Release. Each party agrees to indemnify and hold the other fully and completely harmless from any liability, loss, claim, demand, damage costs, expense and attorneys' fees incurred by the other as a result of any breach of this representation or warranty.

4. **ENTIRE AGREEMENT**

This Release embodies the entire agreement between the parties and supersedes any and all prior representations, understandings, and agreements with respect to its subject matter. There are no other representations, agreements, arrangements, or understandings, oral or in writing, and signed by the party against whom it sought to be enforced.

5. **FURTHER ACTS**

The parties agree to sign other documents and do other things needed or desirable to carry out the purpose of this Release.

6. **SUCCESSORS**

This Amendment and Release shall bind and insure to the benefit of the parties, their heirs, successors, and assigns.

7. **GOVERNING LAW; JURISDICTION**

This Release shall be construed under and governed by the laws of the State of California, and the parties agree that the courts of Placer County, California, shall have jurisdiction over any action brought in connection with it, except to the extent that the Franchise Agreement is governed by the laws or venue provisions of another state.

8. **SEVERABILITY**

If any part of this release is held invalid or unenforceable to any extent by a court of competent jurisdiction, this Release shall remain in full force and effect and shall be enforceable to the fullest extent permitted, provided that it is the intent of the parties that it shall be entire, and if it is not so entire because it is held to be unenforceable, then this Release and the consent given as consideration for it shall be voided by frustration of its purpose.

9. **VOLUNTARY AGREEMENT**

Each party is entering into this Release voluntarily and, after negotiation, has consulted independent legal counsel of its own choice before signing it, is signing it with a full understanding of its consequences, and knows that is not required to sign this Amendment and Release. The parties acknowledge and agree that this Amendment and Release constitutes a release or waiver executed pursuant to a negotiated agreement between a Franchisee and a Franchisor arising after the Franchise Agreement has taken effect and as to which each part is represented by independent legal counsel.

WOSD Franchisee

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

## **MICHIGAN**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- A.** A prohibition of the right of a franchisee to join an association of franchisees.
- B.** A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in this act. This shall not preclude a Franchisee, after entering into a Franchise Agreement, from settling any and all claims.
- C.** A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- D.** A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if:
  - 1.** The term of the franchise is less than 5 years; and
  - 2.** The Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.
- E.** A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- F.** A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- G.** A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1. The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.
  2. The fact that the proposed transferee is a competitor of the Franchisor or Sub-Franchisor.
  3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  4. The failure of the Franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- H.** A provision that requires the Franchisee to resell to the franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bon fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the Franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).
- I.** A provision that permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
Lansing, Michigan 48913  
Phone: 517/373-7117

**MINNESOTA**

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.440J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the

jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes, provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80c.12), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify us from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17.Subd.5.

## **NEW YORK**

### **FRANCHISE DISCLOSURE DOCUMENT**

The cover page of the Franchise Disclosure Document will be supplemented with the following inserted at the bottom of the cover page:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

Item 3 of the Franchise Disclosure Document: Add the following:

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, and any person identified in Item 2. The following is added at the end of Item 3:

With regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to, the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

Item 4 of the Franchise Disclosure Document: Add the following language:

A. Neither the Franchisor, its predecessors, or any person identified in Item 2 filed as an individual or business for protection under the U.S. Bankruptcy Code during the ten-year period immediately before the date of the Disclosure Document:

B. Filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;

C. Obtained a discharge of its debts under the bankruptcy code; or

D. Was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner held this position and or company or partnership.

Item 5 of the Franchise Disclosure Document: Add at the end of the last paragraph:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17. Add the following:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”: However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

## **NORTH DAKOTA**

**I.** Item 5 is amended by the addition of the following language to the original language:

Refund and cancellation provisions do not apply to franchises operating under the North Dakota franchise Investment Law. If the Company elects to cancel the Franchise Agreement, the Company will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred. This amount may not be more than fifty percent (50%) of the Franchise Fee.

**II.** Item 5, Note 1, the last paragraph shall be amended to read as follows:

If your Franchise Agreement is terminated, you may be required to continue royalty payments for so long as you or our assignee or successor continues to use our trademarks or systems in any way.

**III.** Item 6, Note 4, shall be amended to read as follows:

Note 4: You must protect, indemnify, and hold us harmless against any claims or losses arising out of your operation of the franchise business. Each party will bear its own expenses of any litigation to enforce the agreement.

**IV.** Item 17 is amended by the addition of the following language to the original language:

**A.** A provision in the Franchise Agreement that terminates the Franchise Agreement on the bankruptcy of the franchisee may not be enforceable under Title II, U.S. Code, Section 101.

- B. The erosion of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.
- C. The North Dakota Century Code, Section 9-08-06 limits the franchisor’s ability to restrict your ability to restrict your activity after the Franchise Agreement has ended.
- D. Under North Dakota law, liquidated damages provisions are void. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions. Thus, the provision requiring you to continue to pay amounts to franchisor if you elect to cancel the agreement may not be enforceable under North Dakota law.

V. Item 17 is amended to read as follows:

PROVISION	FRANCHISE AGREEMENT	SUMMARY
Your obligations on termination non-renewal	FA: XXIV	De-Identification, payment, non-disclosure, non-competition; you continue to pay royalties for so long as you use the trademarks if terminated for breach, unless you abandon the business, abide by post termination covenants, and release and indemnify us.

VI. Item 17: The Choice of Law and Arbitration sections are amended to read as follows:

- A. The Franchise Agreement shall be governed by the laws of North Dakota.
- B. Except as specifically otherwise provided in the Franchise Agreement, all contract disputes that cannot be amicably settled will be determined by arbitration under the Federal Arbitration Act and in accordance with the rules of the American Arbitration Association. Arbitration will take place at an appointed time and place in the county and state in which your franchised business is located. However, nothing in the Franchise Agreement limits or precludes the parties from bringing an action in a court of competent jurisdiction for injunction or other provisional relief as needed or appropriate to compel a party to comply with its obligations or to protect the marks or the company’s other property rights.
- C. The Choice of Forum section is amended to delete the following:  
  
Any action will be brought in the state or federal courts in Placer County, California.

**FRANCHISE AGREEMENT**

I. Article IX, concerning refunds of initial franchise fees and royalties, is amended to add the following:

Refund and cancellation provisions do not apply to franchisees operating under the North Dakota Franchise Investment Law. If Franchisor elects to cancel this Franchise Agreement, Franchisor shall be entitled to a reasonable fee for its evaluation of Franchisees and related preparatory work performed and expenses actually incurred. This amount shall be no more than fifty percent (50%) of the franchise fee.

II. Sections XXIII and XXII, relating to termination and transfer, are amended to add the following:

The execution of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.

III. Section XXIII(H), providing for liquidated damages on termination of the Franchise Agreement, is hereby amended to read as follows:

h. Pay to Franchisor royalty fees and other ongoing fees, and other amounts Franchisee owes to Franchisor, as though Franchisee were still an active Franchisee, for so long as Franchisee or its assignee or successor continues to use the trademarks in any way. Franchisor is also entitled to all other applicable remedies.

IV. Section XXV is amended to read as follows:

In any action to enforce this Agreement or to seek remedies on default by either party, each party shall bear its own expenses of litigation or enforcement.

V. A. Section XXV is amended to add the following:

THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT ON ACCEPTANCE AND EXECUTION BY THE COMPANY AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF NORTH DAKOTA, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15, U.S.C. SECTIONS 1015, ET. SEQ.).

B. Section XXV (H), providing for exclusive jurisdiction in Placer County, California is deleted.

C. Paragraph XXV to the extent it provides for a limitation of one year on actions under the Franchise Agreement is hereby deleted.

D. Section XXV to the extent it provides for a waiver of punitive or exemplary damages, and a waiver of jury trial, is deleted.

VI. The Arbitration section shall be deleted and amended to read as follows:

Except as specifically otherwise provided in this Agreement, the parties agree that all contract disputes that cannot be amicably settled shall be determined by arbitration under the Federal Arbitration Act as amended and in accordance with the rules of the American Arbitration Association or any successor thereof. Arbitration shall take place at an appointed time and place in the County and State in which Franchisee's franchised business is located. However, nothing contained herein shall be construed to limit or to preclude the parties from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as the parties deem to be necessary or appropriate to compel either party to comply with its obligations hereunder or to protect the marks or other property rights of franchisor.

**VII.** The Acknowledgement section is amended to add the following:

Franchisee acknowledges that Franchisee received a copy of this Franchise Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

**VIII.** The Covenants section is amended to add the following:

Covenants not to compete on termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

#### **RHODE ISLAND**

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

A provision in a Franchise Agreement restricting jurisdiction of venue to a forum outside this state or requiring the application of the laws of another state are void with respect to a claim otherwise enforceable under this Act.

#### **VIRGINIA**

In recognition of the restrictions contained in 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for World of Sourdough Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$285,800 to \$568,725. This amount exceeds the franchisor's stockholders' equity as of December 31, 2024, which is (-\$1,514,625)."

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the

Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**WASHINGTON**

**This section operates as an addendum to the Franchise Agreement, Area Development Agreement, and related agreements.**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

FRANCHISOR

FRANCHISEE

**This addendum may also be used as a rider to the Franchise Disclosure Document**

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT E:**

**TABLE OF CONTENTS OF OPERATING MANUAL**



**WORLD OF SOURDOUGH**

**OPERATING MANUAL**

**TABLE OF CONTENTS**

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*Civil Treatment*..... 2

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**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT F: LIST OF  
CURRENT FRANCHISEES  
& FRANCHISEES  
WHO HAVE LEFT THE SYSTEM**

**The following are the names, addresses and telephone numbers of all current WOSD franchisees as of December 31, 2024:**

<b>State</b>	<b>Location Address</b>	<b>Owners Name</b>	<b>Phone Number</b>
AZ	10220 W McDowell Rd., Unit 120 Avondale, AZ, 85392	Andrew Nagalma, LLC	623-440-4192
AZ	2115 South Alma School Rd, Suite C-5 Chandler, AZ, 85286	Sutter Bros One, LLC	628-777-6685
AZ	18291 N Pima Rd, Suite 110-408 Scottsdale, AZ, 95255	Nuance Ventures LLC	916-952-9411
CA	8255 Dalkeith Way Antelope, CA 95843	Oscar Ortega	(916) 883-9561
CA	8504 Mist Valley Way Antelope, CA 95843	Baseline SD, Inc.	(209) 200-0818
CA	2176 Grass Valley Hwy Auburn, CA	Rohit Rahl	916-600-4397
CA	10201 Hillsgate Ave Bakersfield CA 93311	Manjit Singh Batth/ Gurtej Singh Hehar	(267) 455-2436
CA	9512 Dusty Wheat Dr Bakersfield CA 93313	Ravjodh Heer/Sukhdeep Kaur	(661) 699-3557

CA	5604 Tyringham Rd Bakersfield CA 93313	Surinder Pal Singh	(661) 665-8909
CA	10301 Hillgate Ave Bakersfield CA 93311	Satpal Singh Dhanoa	(661) 371-5833
CA	2509 Haste St. Berkeley, CA 94704	Karen Kaur	209-665-8342
CA	2375 Sand Creek Rd Ste 106 Brentwood, CA	DCSDC, Inc Sandeep Gill	916-640-6377
CA	3317 Coach Lane, Ste 100 Cameron Park, CA 95682	Ramaundeeep Singh Cheema	916-823-3900
CA	35395 Beach Rd Capistrano Beach CA 92624	Bradley Lane Jenkins	(916) 889-7000
CA	2588 El Camino Real Carlsbad CA 92008	WHITEMOOR EAST INC./Saranjit Kaur	(702) 327-4317
CA	2517 Mitchell Rd., Ste E. Ceres, CA 95307	Valley Investment Solutions, Inc. Mohammed Samim Faisal	415-949-8518
CA	11254 Mallard Cove Dr Chowchilla CA 93610	Prabhneet Singh	(360) 201-0651
CA	5437 Sunrise Blvd Citrus Heights, CA 95610	Ramaundeeep Singh Cheema	916-823-3900
CA	2842 Fowler Ave., Clovis, CA 93611	Jeff Ressler	559-259-6180
CA	1975 Mt. Diablo St. Concord, CA 94520	Sarb Cheema	707-392-6631
CA	1607 Chestnut Grove Way Concord CA 94519	Janmey Deepak Shah	(916) 745-5522
CA	514 Westlake Center Daly City, CA 94015	DCSDC, Inc. Sandeep Gill	916-640-6377

CA	34145 Pacific Coast HWY #804 Dana Point CA 92629	Brad Jenkins	(916) 889-7000
CA	241 Hartz Avenue Danville CA 94526	Arvinder Kaur	209-627-8803
CA	6238 Massara St Danville CA 94506	Kunal Lamba	(925) 339-7493
CA	6236 Massara St Danville CA 94506	Sandeep Kumbar Lamba	(925) 339-0159
CA	2696 Dublin Blvd. Dublin, CA 94568	Mandeep Kaur	209-627-8803
CA	1450 Ary Lane Dixon, CA 95620	Paul Matharu	707-365-9791
CA	7600 Ridgeline Dr Dublin CA 94568	Anika Berry	(925) 219-5069
CA	8656 Mangola Hill Way Elk Grove, CA 95624	Joselito Navarrow	916-271-5609
CA	5322 Jade Creek Way Elk Grove, CA 95757	Vikramjeet Singh	916-821-5325
CA	3101 Lennox Dr. El Dorado Hills, CA 96762	Amarinder Singh Bhatia	718-964-7385
CA	4390 Town Center Blvd El Dorado Hills, CA 95762	Food Professionals, Inc. Jatinder Singh	916-509-2495
CA	381 Green Valley Rd El Dorado Hills, CA 95762	R & S Foods, Inc. Pritpal Singh	916-582-4768
CA	2626 Broadway St, Ste B Eureka, CA 95501	Broadway SDC Inc. Charandeep Singh Uppal	916-534-4444

CA	807 Baybridge Pl. Fairfield, CA 94534	Broadway SDC Inc. Charandeep Singh Uppal	916-534-4444
CA	475 Chelsea Way Fairfield CA 94533	Rupinder Kaur Sandhu/Rajvir Singh Sandhu	(707) 450-6158
CA	3336 N. Texas St. STE K, Fairfield, CA 94533	Sarb Cheema	707-392-6631
CA	55121 Neal St. Grass Valley, CA 95945	Harkerat Singh Nijjar	916-806-7699
CA	280 Sierra College Dr, Suite 205 Grass Valley CA 95945	SAVOR FOOD CHAIN LLC Kuldip Singh Gill Nalni Rana Lovepreet Singh Gurjant Singh	(936) 320-6938
CA	1257 Henderson Ln. Hayward, CA 94544	Jarnail Dhindsa	(510) 760-3452
CA	301 Brookhaven CT. Hayward, CA 94544	Raminder S. Hayre/Kuldeep K. Hayre	925-989-1781
CA	100 Ridgepoint Ct Hercules CA 94547	Samraj Sweets N Chaatnut LLC Balraj Singh Sambhi/Manvir Singh Sambhi	(510) 604-9110
CA	3212 Mulholland Drive Lathrope, CA 95330	Mohammad Samim & Martha Faisal	415-949-8518
CA	640 Twelve Bridges Dr., Ste 105 Lincoln, CA 95648	Rohit Ralh	916-600-4397
CA	2150 Portola Ave Ste. B Livermore, CA 94551	Arvinder Kaur	209-627-8803
CA	1022 Plumas Way Manteca, CA 95336	David Niemoeller	209-624-6826

CA	190 Commerce Way Ste. 103 Manteca, CA 95336	Simar's Venture Group, Inc. Jasdeep Sandhu	603-730-2992
CA	214 Ash Renee St Manteca CA 95337	Jasvir Kaur /Dilraj Kaur	(209) 229-6650
CA	1043 Arnold Dr. Martinez, CA 94553	Karen Kaur	209-665-8342
CA	1801 H St. Modesto, CA 95354	Jeevanjot Restaurant Group, Inc. Harkirate Singh Samra	408-913-6572
CA	530 Showers Drive, STE 1 Mountain View, CA 94040	Jarnail Dhindsa	510-760-3452
CA	2731 Del Paso Rd. STE 100 Natomas, CA 95835	Saheb Food Services Satnam Singh	916-333-1230
CA	5800 Nave Dr., Ste. 2 Novato, CA 94949	Sean Foods, Inc. Boj Karki	415-994-8723
CA	441 N. McDowell Blvd Ste 10 Petaluma CA 94954	Charandeep Singh Uppal Broadway SDC Inc	916-534-4444
CA	1924 Contra Costa BLVD, Pleasant Hill, CA	Karen Kaur	209-665-8342
CA	1148 Muir Ranch Ct Plumas Lake CA 95961	Mahaveer Enterprises Inc./Kartik Singh	(831) 245-8316
CA	11978 Mariposa Bay Ln Porter Ranch CA 91326	DLA Group Inc	(818) 422-2574
CA	3812 Mandy Way Ramon CA 94582	Iqbal Singh Ganda	(510) 449-7923
CA	2823 Zinfandel Blvd Rancho Cordova, CA 95670	Asa Jabbal	916-472-8472

CA	13080 Norica Dr Rancho Cucamonga CA 91739	Rakesh Sudhir Mehta	(909) 967-3038
CA	4875 Granite Dr. Rocklin, CA 95677	Harkinder Singh	530-709-0800
CA	799 Edward Werth Dr Rodeo CA 94572	RV FOODS INC Mandeep Kaur	(510) 965-8347
CA	6356 Commerce Blvd Rohnert Park, CA 94928	Charandeep Singh Uppal Broadway SDC Inc	916-534-4444
CA	4721 Waterstone Dr Roseville CA 95747	Aryan Spandan Patel Inderjit Singh Sangha	(916) 871-7724
CA	6033 Barnside Pl. Roseville, CA 95747	Gursimran Singh Dhaliwal	530-774-5441
CA	625 Crosby Ct. Roseville, CA 95747	Mangat & Ganda LLC Navjot Mangat	510-449-2005
CA	1900 Park Oak Dr. Roseville, CA 95661	Yash, Inc. Satnam Toor	916-837-3039
CA	3854 Aetna Springs Way Sacramento, CA 95834	Aishleen Food Services Satnam Singh	617-335-2399
CA	8166 Delta Shores Cr., Ste. 110 Sacramento, CA 95832	Asa Jabbal	916-472-8472
CA	841 Regency Park Cir Sacramento CA 95835	Davinder Singh/Harwinder Kaur	(916) 519-4600
CA	1229 Howe Ave Sacramento, CA 95825	Mark Beichler	(916) 531-7778
CA	1506 Constitution Blvd Salinas, CA 93905	Paul Matharu	707-365-9791
CA	1619 Amberly Ln. San Jose, CA 95121	Satinder Singh Banwait	408-981-5046

CA	100 Palm Valley BLVD 2044 San Jose CA 95213	Navpreet Singh	(408) 480-8722
CA	4075 Solero Court San Jose CA 95127	Satinder Singh Banwait/Navjot S. Bola	(408) 981-5046
CA	2415 San Ramon Valley Rd, Ste 11, San Ramon, CA	Jatinder Singh Food Professionals Inc	916-509-2495
CA	201 W. Napa St, Ste 8 Sonoma, CA 95476	Charandeep Singh Uppal Broadway SDC Inc	916-534-4444
CA	2826 March Ln Stockton, CA 95219	S & S Restaurant Group, Inc. Taranjit Romana	209-215-4010
CA	2064 Santa Rosa Ave Santa Rose, CA 95404	Broadway SDC Inc. Charandeep Singh Uppal	916-534-4444
CA	2313 Bartrum Run Way Stockton, CA 95212	Amerilogis Food Inc Inderjit Singh/Manpreet Singh/Karen Kaur	209-665-8342
CA	604 Queensland Cir Stockton CA 95206	Jaswant Singh/Harvinder Jhim	(209) 851-5385
CA	304 W. El Camino Real Sunnyvale, CA 94087	Jarnail Dhindsa	510-760-3452
CA	12137 Via Santa Lucia Sylmar CA 91342	STMC STAR INC Charanjit Singh/Mandeep Kaur	(818) 516-7908
CA	1462 Parkington Ln. Tracy, CA 95377	Charanjit Singh	209-407-8007
CA	2742 Dorset Ln. Tracy, CA 95377	Devendra Kumar S. Wala	(540) 300-0099
CA	4769 English Oaks Ct. Tracy, CA 95377	Inderjeet Singh Suri	425-305-0114
CA	1915 Addison Dr. Turlock, CA 95382	Raj Pal Singh	(209) 485-6911

CA	1238 Airport Park Blvd Ukiah, CA 95482	Charandeep Singh Uppal Broadway SDC Inc	916-534-4444
CA	227 Brighton Cr. Vacaville, CA 95687	Iqbal Matharu	707-365-9791
CA	307 Anchorage Dr Vacaville CA 95687	Jaswant Inc. Gurjeet Kaur Sukhinjder Kaur Rangi/Bhavneet Mavi	(707) 392-6631
CA	2361 Oak Grove Rd, Bld H, Walnut Creek, CA	Rohit Rahl	916-600-4397
CA	6560 Hembree Lane, Ste 190 Windsor, CA 95492	Charandeep Singh Uppal Broadway SDC Inc	916-534-4444
CA	2051 Bronze Star Dr. STE 200 Woodland, CA 95776	Satnam Singh Aishleen Food Services	530-908-2511
CA	1713 Morrison Bend Yuba City CA 95991	Jaydeep Kang/Sukhjot Kang	(530) 329-6944
NV	8350 Haven St Las Vegas NV 89123	JJJ Judge Sourdough II, LLC Inderdeep Singh Judge	(702) 327-4317
NV	8350 Haven St Las Vegas NV 89123	JJJ Judge Sourdough III, LLC/Inderdeep Singh Judge	(702) 327-4317
NV	8350 Haven St Las Vegas NV 89123	Manpreet Kaur Judge	(702) 327-4317
NV	1859 Autumn Gold Ave Las Vegas NV 89123	Prabhjot Singh	(702) 927-1791
NV	18493 Spicer Lake Ct Reno NV 89508	WMK Nevada INC Sukhwinder Kaur/Gurjit Singh Atwal	(513) 787-1237
OR	55 Rossanley Dr., Ste. C1B Medford, OR 97501	Harkerat Singh Nijjar	916-806-7699
TX	2923 Blacksmith CT. Grand Prairie, TX,75052	GW Mulondo LLC	469-358-7788

TX	2799 Katy FWY Suite 120 Houston, TX 77007	Texas Golden Eats LLC	832-504-2977
UT	1158 W 4200 N. Pleasant View, UT 84414	Sourdough Enterprises, Inc.	916-220-4977
WA	11212 SE 268TH ST Kent WA 98030	Buta Singh	(206) 375-7420
WA	14817 20 <sup>TH</sup> Ave. S.E. Renton, WA 98059	Carolina Kamoi Moraes	425-520-9548

Aryan Spandan Patel  
Inderjit Singh Sangha  
4721 Waterstone Dr  
Roseville CA 95747  
(916) 871-7724

Baseline SD Inc  
Kamal Preet Kaur  
8504 Mist Valley Way  
Antelope CA 95843  
(209) 200-0818

Satinder Singh Banwait/Navjot S. Bola  
4075 Solero Court  
San Jose CA 95127  
(408) 981-5046

Brad Jenkins  
34145 Pacific Coast HWY #804  
Dana Point CA 92629  
(916) 889-7000

Bradley Lane Jenkins  
35395 Beach Rd  
Capistrano Beach CA 92624  
(916) 889-7000

Buta Singh

11212 SE 268TH ST  
Kent WA 98030  
(206) 375-7420  
Davinder Singh/Harwinder Kaur  
841 Regency Park Cir  
Sacramento CA 95835  
(916) 519-4600

DLA Group Inc  
Lakhwinder Singh/Amit Kaur  
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Porter Ranch CA 91326  
(818) 422-2574

Rakesh Sudhir Mehta  
13080 Norica Dr  
Rancho Cucamonga CA 91739  
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Iqbal Singh Ganda  
3812 Mandy Way  
Ramon CA 94582  
(510) 449-7923

Janmey Deepak Shah  
1607 Chestnut Grove Way  
Concord CA 94519  
(916) 745-5522

Jasvir Kaur /Dilraj Kaur  
214 Ash Renee St  
Manteca CA 95337  
(209) 229-6650

Jaswant Singh/Harvinder Jhim  
604 Queensland Cir  
Stockton CA 95206  
(209) 851-5385

Jaydeep Kang/Sukhjit Kang  
1713 Morrison Bend  
Yuba City CA 95991  
(530) 329-6944

JJJ Judge Sourdough II, LLC  
Inderdeep Singh Judge  
8350 Haven St  
Las Vegas NV 89123  
(702) 327-4317

JJJ Judge Sourdough III, LLC  
Inderdeep Singh Judge  
8350 Haven St  
Las Vegas NV 89123  
(702) 327-4317

Manpreet Kaur Judge  
8350 Haven St  
Las Vegas NV 89123  
(702) 327-4317

Mahaveer Enterprises Inc  
Kartik Singh  
1148 Muir Ranch Ct  
Plumas Lake CA 95961  
(831) 245-8316

Manjit Singh Batth/ Gurtej Singh Hehar  
10201 Hillsgate Ave  
Bakersfield CA 93311  
(267) 455-2436

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Inderjit Singh/Manpreet Singh  
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Stockton CA 95212  
(702) 327-4317

Iqbal Singh Matharu  
227 Brighton Cir  
Vacaville CA 95687  
(707) 365-9791

STMC STAR INC  
Charanjit Singh/Mandeep Kaur  
12137 Via Santa Lucia  
Sylmar CA 91342  
(818) 516-7908

Prabhjot Singh  
1859 Autumn Gold Ave  
Las Vegas NV 89123  
(702) 927-1791

Prabhneet Singh  
11254 Mallard Cove Dr  
Chowchilla CA 93610  
(360) 201-0651

Ravjodh S Heer/Sukhdeep Kaur  
9512 Dusty Wheat Dr  
Bakersfield CA 93313  
(661) 699-3557

Rupinder Kaur Sandhu/Rajvir Singh Sandhu  
475 Chelsea Way  
Fairfield CA 94533  
(707) 450-6158

RV FOODS INC  
Mandeep Kaur  
799 Edward Werth Dr  
Rodeo CA 94572  
(510) 965-8347

Samraj Sweets N Chaatnut LLC

Balraj Singh Sambhi/Manvir Singh Sambhi  
100 Ridgepoint Ct  
Hercules CA 94547  
(510) 604-9110

Satpal Singh Dhanoa  
10301 Hillgate Ave  
Bakersfield CA 93311  
(661) 371-5833

SAVOR FOOD CHAIN LLC  
Kuldip Singh Gill  
Nalni Rana  
Lovepreet Singh  
Gurjant Singh  
280 Sierra College Dr, Suite 205  
Grass Valley CA 95945  
(936) 320-6938

Sandeep Kumbar Lamba  
6236 Massara St  
Danville CA 94506  
(925) 339-0159

Kunal Lamba  
6238 Massara St  
Danville CA 94506  
(925) 339-7493

Surinder Pal Singh  
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Bakersfield CA 93313  
(661) 665-8909

WHITEMOOR EAST INC  
Saranjit Kaur  
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Carlsbad CA 92008  
(702) 327-4317

WMK Nevada INC  
Sukhwinder Kaur/Gurjit Singh Atwal  
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Reno NV 89508  
(513) 787-1237

Jaswant Inc  
Gurjeet Kaur/Sukhinjder Kaur Rangi/Bhavneet Mavi  
307 Anchorage Dr  
Vacaville CA 95687  
(707) 392-6631

Charandeep Singh Uppal/Ramandeep Singh Cheema  
807 Baybridge Place  
Fairfield CA 94534  
(707) 334-7660

Navpreet Singh  
100 Palm Valley BLVD 2044  
San Jose CA 95213 (408) 480-8722

Anika Berry  
7600 Ridgeline Dr  
Dublin CA 94568  
(925) 219-5069

NO FRANCHISEES HAVE LEFT THE FRANCHISE SYSTEM  
AS OF THE DATE OF THE DISCLOSURE DOCUMENT.

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT G:**

**AUDITED FINANCIAL STATEMENTS 2024**

(YTD through December 31, 2024)

**World of Sourdough Franchising, LLC**

**Independent Auditor's Report  
And  
Financial Statements  
December 31, 2024 and 2023**

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**Metwally CPA PLLC**

**CERTIFIED PUBLIC ACCOUNTANT**

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

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**Independent Auditor's Report**

To the Members of  
World of Sourdough Franchising, LLC

**Opinion**

We have audited the accompanying financial statements of World of Sourdough Franchising, LLC (the Company), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World of Sourdough Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of World of Sourdough Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

As discussed in note 5 regarding the financial statements, the Company has extensive transactions and relationships with its affiliates. Accordingly, the accompanying financial statements may not be indicative of the results of operations that would have been achieved if the Company had operated without such affiliations.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World of Sourdough Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement

when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of World of Sourdough Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World of Sourdough Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Bedford, Texas  
February 18, 2025

**World of Sourdough Franchising, LLC**

**Balance Sheets  
December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 58,025	\$ 226,827
Accounts receivable	96,186	35,039
Due from related parties	126,862	135,681
Deferred commission - current portion	7,925	-
Other assets	71,526	4,871
<b>Total Current Assets</b>	<b><u>360,524</u></b>	<b><u>402,418</u></b>
<b>Non-Current Assets</b>		
Property and equipment, net	201,462	1,331
Intangible assets, net	1,548,203	1,828,380
Operating lease right-of-use assets	407,262	545,960
Deferred commission - net of current portion	63,400	-
<b>Total Non-Current Assets</b>	<b><u>2,220,327</u></b>	<b><u>2,375,671</u></b>
<b>Total Assets</b>	<b><u>\$ 2,580,851</u></b>	<b><u>\$ 2,778,089</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 133,730	\$ 104,478
Due to related parties	99,681	45,721
Deferred revenue - current portion	287,450	132,250
Debt - current portion	261,764	216,000
Operating lease liability - current portion	130,456	117,673
<b>Total Current Liabilities</b>	<b><u>913,082</u></b>	<b><u>616,122</u></b>
<b>Non-Current Liabilities</b>		
Deferred revenue - net of current portion	2,076,450	967,100
Operating lease liability - net of current portion	290,291	442,167
Debt - net of current portion	775,654	1,101,946
Other liabilities	40,000	40,000
<b>Total Non-Current Liabilities</b>	<b><u>3,182,395</u></b>	<b><u>2,551,213</u></b>
<b>Total Liabilities</b>	<b><u>4,095,476</u></b>	<b><u>3,167,335</u></b>
<b>Members' Equity (Deficit)</b>		
Members' equity (deficit)	(1,514,625)	(389,246)
<b>Total Members' Equity (Deficit)</b>	<b><u>(1,514,625)</u></b>	<b><u>(389,246)</u></b>
<b>Total Liabilities and Members' Equity (Deficit)</b>	<b><u>\$ 2,580,851</u></b>	<b><u>\$ 2,778,089</u></b>

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Statements of Operations**  
**Years Ended December 31, 2024 and 2023**

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	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
Royalties	\$ 2,195,250	\$ 1,713,242
Initial franchise fees	287,450	132,250
Rebate income	171,308	40,286
Other income	116,591	42,844
Royalties - related party	19,008	6,262
<b>Total Revenues</b>	<b>2,789,607</b>	<b>1,934,884</b>
<b>Operating Expenses</b>		
General and administrative	799,050	597,334
Legal and professional	546,041	74,122
Wages and salaries	458,455	328,415
Referral fees	456,466	318,412
Rent	172,422	104,352
Depreciation and amortization	116,101	70,148
Advertising and marketing	82,768	160,197
Commission expense	7,925	-
<b>Total Operating Expenses</b>	<b>2,639,228</b>	<b>1,652,980</b>
<b>Net Income / (Loss)</b>	<b>\$ 150,379</b>	<b>\$ 281,904</b>

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Statements of Members' Equity (Deficit)**  
**Years Ended December 31, 2024 and 2023**

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<b>Members' Equity (Deficit) At December 31, 2022</b>	<b><u>\$ (404,120)</u></b>
Net income / (loss)	281,904
Members' contributions	451,166
Members' distributions	<u>(718,195)</u>
<b>Members' Equity (Deficit) At December 31, 2023</b>	<b><u>\$ (389,246)</u></b>
Net income / (loss)	150,379
Members' contributions	3,344
Members' distributions	<u>(1,279,101)</u>
<b>Members' Equity (Deficit) At December 31, 2024</b>	<b><u>\$ (1,514,625)</u></b>

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash Flows From Operating Activities</b>		
Net income / (loss)	\$ 150,379	\$ 281,904
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation and amortization	116,101	70,148
<b>Change in assets and liabilities</b>		
Accounts receivable	(61,147)	(31,886)
Due from related parties	8,819	(111,324)
Deferred commission	(71,325)	-
Other assets	(67,050)	15,504
Accounts payable and accrued liabilities	29,252	94,270
Due to related parties	53,960	45,721
Deferred revenue	1,264,550	631,250
Other liabilities	-	40,000
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>1,423,539</b>	<b>1,035,587</b>
<b>Cash Flows From Investing Activities</b>		
Business acquisition	-	(400,000)
Purchase of property and equipment	(23,258)	(791)
<b>Net Cash Flows Provided By (Used In) Investing Activities</b>	<b>(23,258)</b>	<b>(400,791)</b>
<b>Cash Flows From Financing Activities</b>		
Payments made on debt	(293,325)	(180,000)
Members' contributions	3,344	451,166
Members' distributions	(1,279,101)	(718,195)
<b>Net Cash Flows Provided By (Used In) Financing Activities</b>	<b>(1,569,083)</b>	<b>(447,029)</b>
<b>Net Change In Cash And Cash Equivalent During The Year</b>	<b>(168,802)</b>	<b>187,767</b>
Cash and cash equivalents - beginning of the year	226,827	39,060
<b>Cash And Cash Equivalent - End of The Year</b>	<b>\$ 58,025</b>	<b>\$ 226,827</b>
<b>Supplemental Cash Flow Disclosures</b>		
Purchase of vehicles through long term debt	(219,850)	-
Cash paid for interest	(11,997)	-
Note in exchange for stores acquisition	-	(1,317,946)

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Notes To Financial Statements**  
**December 31, 2024 and 2023**

**1. COMPANY AND NATURE OF OPERATIONS**

World of Sourdough Franchising, LLC (the Company) is a Texas limited liability franchise Company that was formed in 2021, under the laws of the State of Texas for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own business. The Company provides the qualified individuals the right to operate a restaurant that offers a variety of handcrafted sandwiches and other products, under the mark “World of Sourdough,” “WOSD” and other related trademarks.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

**C. Accounts Receivable**

Accounts Receivable arise primarily from royalties income and initial franchise fees and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. At the time any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. There is no valuation allowance recorded as of December 31, 2024 and 2023, as management believes all balances are collectible.

**D. Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line method over the estimated useful lives of the assets with ranges from 3 to 15 years.

**E. Federal Income Taxes**

As a limited liability Company, the Company’s taxable income or loss is allocated to members in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

## **F. Intangible Assets**

In accordance with Financial Standards Accounting Board ("FASB") Accounting Standards Codification ("ASC") 805, Business Combinations, the Company accounts for finite-lived intangibles at fair value upon acquisition and amortizes this intangible asset on a straight-line basis over the life of the asset. The Company's acquired intangible assets include trademark, and franchise contracts, made in conjunction with the Sourdough & Co. restaurants acquisition in 2023. The useful lives of these assets are as follows:

Franchise contracts	20 years
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The tradename is not subject to amortization. The trade name has an indefinite life, is recorded at cost, is not amortized, and is tested for impairment annually, or more frequently should events or changes in circumstances indicate that it might be impaired.

## **G. Lease**

Effective January 1, 2023, the Company adopted, with modified retrospective application, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)" (ASC 842). The amended guidance requires lessees, at the commencement date, to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and to record a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB issued ASU 2018-11, Leases, Targeted Improvements, which gave companies the option of applying the new standard at the adoption date, rather than retrospectively to the earliest period presented in the financial statements. The Company elected the package of practical expedients permitted under the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company also elected the practical expedient to not recognize a lease liability and ROU asset for short-term leases less than 12 months. The Company chose the option to apply the new standard at the adoption date, and therefore we are not required to restate the financial statements for prior periods, nor are the Company required to provide the disclosures required by the new standard for prior periods. Upon adoption, the Company recognized an approximate \$559,900 ROU asset, and an approximate \$559,900 lease liability. Our adoption of the new standard did not impact on our cash flows or have a material impact on our results of operations. We have expanded our financial statement disclosures to comply with the requirements of the new standard.

## **H. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

## **I. Use of Estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

## **J. Debt**

The Company accounts for debt as current if the debt is due within one year of the balance sheet date or is cancelable or callable. The Company accounts for debt as noncurrent if the obligation does not expire or is due within one year.

## **K. Revenue Recognition**

The Company relies upon ASC 606, Revenue from Contracts with Customers, to recognize revenue, contract liabilities-deposits from franchisees and contract assets-due from franchisees. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive for those goods or services. The following is the principal activity from which the Company earns revenue:

### Franchise Revenues

The franchise arrangement between the Company and each franchise owner of the Company's Franchise is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Company's Franchise brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation, which is the transfer of the franchise license. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; and (b) IT fees; (c) annual conference fees. The Company considers the franchise license to be a single performance obligation, and therefore, recognized over the term of the franchise agreement or renewal which is typically 10 years.

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalties fee. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources:

- Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years. The Company has determined that these fees, which are paid in advance of when they are recognized as revenue, do not contain a significant financing component.
- Royalty fees and other revenues are reported as earned.

### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

### Gross Sales Rebates

The Company receives vendor rebates primarily from products sales. These rebates are generally covered by binding agreements, which are signed agreements between various vendors and the Company. Under ASC 606, the Company's performance obligation for vendor rebates is satisfied upon the sale or usage of a vendor's product through the Company's franchisees. As such, revenue is recorded upon receipt of franchisee sales information from the vendor.

### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

#### **L. Advertising and Marketing**

Advertising and marketing costs are charged to operations in the year incurred.

#### **M. Reclassifications**

Certain reclassifications have been made to the 2023 financial statements in order to conform to the 2024 presentation. There were no changes to previously reported members' equity or net income as a result of the reclassifications.

#### **N. Recent Accounting Pronouncements**

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements. See Note 10.

### **3. CASH AND CASH EQUIVALENTS**

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2024 and 2023 the Company's cash balance did not exceed the FDIC insurance limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. As of December 31, 2024 and 2023 the Company had approximately \$58,025 and \$226,827 respectively in cash in its bank accounts.

### **4. ACCOUNTS RECEIVABLE**

At the years ended December 31, 2024 and 2023, accounts receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Initial franchise fee receivable	\$ 66,000	\$ -
Royalties' receivable	30,186	35,039
<b>Total Accounts Receivable</b>	<b>\$ 96,186</b>	<b>\$ 35,039</b>

## 5. RELATED PARTY TRANSACTIONS

The Company has common ownership with variance entities and trademarks. During the years ended December 31, 2024 and 2023, the Company recognized \$19,008 and \$6,262, respectively, in royalty income from corporate owned stores which is included in the statements of operations. Also, the Company has due from related party balance for operating expenses paid by the Company on behalf of the related party in the amount of \$126,862 and \$135,681, respectively.

On December 31, 2024 and 2023, The Company had due to related party in the amount of \$99,681 and \$45,721, respectively. These amounts represent expenses paid by the related party on behalf of this Company.

This Company shares ownership with other related entities. In 2024 and 2023, the Company earned \$19,008 and \$6,262 in royalties, respectively, from company-owned stores. These royalties are included in the Company's operating statements.

Additionally, as of December 31, 2024 and 2023 the Company had a balance in the amount of \$126,862 and \$135,681, respectively, due from a related party for operating expenses paid by the Company on behalf of the related party.

## 6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2024, and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Vehicles	\$ 219,850	\$ -
Leasehold improvements	22,000	-
Furniture and equipment	3,731	2,474
Less: accumulated depreciation	(44,118)	(1,143)
<b>Property and Equipment, net</b>	<b>\$ 201,463</b>	<b>\$ 1,331</b>

Depreciation expenses for the years ended December 31, 2024 and 2023 were \$42,974 and \$583, respectively.

## 7. ACQUISITIONS

On February 16, 2023, the Company acquired 20 Sourdough & Co restaurants for a total consideration of \$2,128,000 and converted them into franchises. The acquisition was accounted for as a business combination under ASC 805. The Company paid \$400,000 in cash and signed a \$1,728,000 promissory note, which will be paid in monthly installments of \$18,000 each. During 2023, 2 stores were not converted to franchises; and therefore, the Company subtracted \$115,027 for each store from the amount owed, as stipulated in the acquisition agreement. During 2024, two more stores were closed, and therefore, the Company reduced the outstanding amount by \$207,049. The Company recorded identifiable intangible assets net of unconverted stores and terminated franchises of \$1,691,896 in connection with the acquisition. The assets acquired and liabilities assumed consisted of an immaterial amount of fixed assets and accrued expenses. The Company determined that the acquisition was accounted for as a business combination under ASC 805, and the fair value of the assets and liabilities acquired was determined in accordance with the provisions of ASC 805. The Company recognized the assets and liabilities acquired at their estimated fair values as of the acquisition date.

## 8. INTANGIBLE ASSETS

Trademarks represent intangible assets with infinite lives valued at the total cost of developing the trademarks. Franchise agreements are amortized. Trademarks are not amortized but are tested annually for impairment or more frequently if indicators of potential impairment exist. As of December 31, 2024 and 2023, there was no impairment identified for trademarks.

Intangible assets with an indefinite life consisted of the following:

	<u>2024</u>	<u>2023</u>
Trademarks	\$ 228,360	\$ 228,360
	<b>\$ 228,360</b>	<b>\$ 228,360</b>

Intangible assets with a definite life consisted of the following:

		<u>December 31, 2024</u>		
	Amortization Period (Years)	Gross Amount	Accumulated Amortization	Net Amount
Franchise Agreements	17	\$ 1,462,536	\$ (142,693)	\$ 1,319,843
		<b>\$ 1,462,536</b>	<b>\$ (142,693)</b>	<b>\$ 1,319,843</b>

		<u>December 31, 2023</u>		
	Amortization Period (Years)	Gross Amount	Accumulated Amortization	Net Amount
Franchise Agreements	20	\$ 1,669,586	\$ (69,566)	\$ 1,600,020
		<b>\$ 1,669,586</b>	<b>\$ (69,566)</b>	<b>\$ 1,600,020</b>

Amortization expense for the years ended December 31, 2024 and 2023, were \$73,127 and \$69,566, respectively, and are included in operating expenses on the accompanying statements of operations.

The estimated amortization expense of the franchise agreements for each year is as follows:

	<b>Years ending December 31,</b>
FY 2025	\$ 73,127
FY 2026	73,127
FY 2027	73,127
FY 2028	73,127
FY 2029	73,127
Thereafter	954,208
<b>Total future amortization expense</b>	<b>\$ 1,319,843</b>

The remaining useful life for franchise agreements was approximately 18 as of December 31, 2024.

## 9. DEBT

### NOTES PAYABLE

In 2023, the Company entered into a note payable agreement with the former owner of Sourdough & CO in conjunction with the acquisition of the Sourdough & CO 20 restaurants, in the amount of \$1,897,945. The note does not bear interest and mature in 2030. Due to the immateriality of any such amounts, management has not imputed interest in this note. As of December 31, 2024, the note's outstanding balance was \$216,000 due in the next 12 months and \$642,896 due thereafter, totaling \$858,896. The Company is obligated to make a monthly installment of \$18,000 for the remaining term of the note, minus any credit given for uncovered stores or terminated franchises. During the year 2024 the Company paid an amount of \$252,000 from the outstanding note balance. During 2024, two more stores were closed, and therefore, the Company reduced the outstanding amount by \$207,049.

Principal payments of the Note balance are due as follows:

	<b>Years ending December 31,</b>
FY 2025	\$ 216,000
FY 2026	216,000
FY 2027	216,000
FY 2028	210,896
<b>Total notes payable</b>	<b><u>\$ 858,896</u></b>

### Loans

In 2024, the Company financed the purchase of two vehicles through two separate debt agreements. The first loan was for \$182,780 at an annual interest rate of 6.89%, with a 5-year maturity and monthly payments of \$3,620 (principal and interest). The second loan was for \$37,070 at an annual interest rate of 3.99%, with a 3.83-year maturity and monthly payments of \$854 (principal and interest). As of December 31, 2024, the outstanding amount for both loans was \$178,522.

Principal payments of the Debt balance are due as follows:

	<b>Years ending December 31,</b>
FY 2025	\$ 45,764
FY 2026	46,437
FY 2027	48,900
FY 2028	37,421
<b>Total future payments</b>	<b><u>\$ 178,522</u></b>

## 10. LEASE

World of Sourdough Franchising, LLC Leases consists of a shopping center located at Roseville, California. As part of the lease agreement, the Company is responsible for covering the costs associated with real estate taxes and other expenses related to the leased facilities, also, the Company has leased vehicles. Right-of-use lease assets and lease liabilities are recognized as of the commencement date based on the present value of the remaining lease payments over the lease term, that the Company is reasonably certain to exercise. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. Operating lease expense is included within general and administrative expenses. Leases were as follows.

	<u>2024</u>	<u>2023</u>
<b>Operating lease expenses under ASC 842, Leases</b>		
Rent Expense	\$ 151,850	\$ 104,684
The leases recorded on the balance sheet consist of the following:		
	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
ROU Assets	\$ 407,262	\$ 545,960
<b>Liabilities</b>		
Lease liabilities, current portion	130,456	117,673
Lease liabilities, net of current portion	290,291	442,167
	<u>\$ 420,747</u>	<u>\$ 559,840</u>
	<u>2024</u>	<u>2023</u>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 152,498	\$ 120,094
<b>ROU assets obtained in exchange for lease liabilities in non-cash transactions:</b>		
Operating lease assets obtained in exchange for operating lease liabilities	\$ 151,850	\$ 104,684
Discount rate (1)	5%	5%

\*The discount rate used for existing operating leases upon adoption of Topic 842 was established based on the risk-free rates treasury note 5 years term as of January 1, 2023, as the lease did not provide an implicit rate, the Company uses its risk-free rate.

Future lease obligations for leases that have commenced were as follows as of December 31:

	<b>Lease</b>
FY 2025	\$ 145,162
FY 2026	126,018
FY 2027	95,505
FY 2028	97,159
FY 2029	32,858
<b>Total Lease payment</b>	<u>496,700</u>
Less: Interest	(75,953)
<b>Present value of lease liabilities</b>	<u>\$ 420,747</u>

As of December 31, 2024 and 2023, the term and discount rate for the Company's leases were from 3-10 years and 5%, respectively.

## 11. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Revenue recognized over time	\$ 287,450	\$ 132,250
Revenue recognized at a point in time	2,502,157	1,802,634
<b>Total Revenue</b>	<b>\$ 2,789,607</b>	<b>\$ 1,934,884</b>

### Contract Balances

The following table provides information about the change in the franchise deferred expenses balances during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ -	\$ -
Additional deferred expenses	79,250	-
Expenses recognized – additional deferred expenses	(7,925)	-
<b>Deferred expenses</b>	<b>71,325</b>	-
Less: current maturities	(7,925)	-
Deferred expenses, net of current maturities	<b>\$ 63,400</b>	<b>\$ -</b>

The following table provides information about the change in the franchise contract liability balances during the years ended December 31, 2024, and 2023, respectively. Franchise contract liability is included in deferred revenue on the accompanying balance sheets.

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 1,099,350	\$ 468,100
Additional deferred revenue	1,552,000	763,500
Revenue recognized – additional deferred revenue	(287,450)	(132,250)
<b>Deferred revenue</b>	<b>2,363,900</b>	<b>1,099,350</b>
Less: current maturities	(287,450)	(132,250)
<b>Deferred Revenue, net of current maturities</b>	<b>\$ 2,076,450</b>	<b>\$ 967,100</b>

## 12. ADVERTISING EXPENSES

Advertising costs for the years ended December 31, 2024 and 2023, were \$82,768 and \$160,197, respectively. These costs were expensed as incurred.

### **13. COMMITMENTS AND CONTINGENCIES**

#### ***GUARANTEES***

The Company guarantees a lease agreement on behalf of one of its franchisees. The lease agreement requires the franchisee to make a monthly payment of \$5,487 and the lease will expire on 2032. The maximum amount of future rent that could be required to be paid under the guarantee is the monthly rent amount till the Company sublease the building. During 2023, the Company received \$40,000 from its franchisee under this commitment. In accordance with accounting principles generally accepted in the United States of America, no amount has been accrued in the accompanying financial statements for the guarantees except for the \$40,000 received from its franchisee. As of December 31, 2024, no change occurred on the guarantees amount.

#### ***LITIGATION***

In 2024, the Company resolved a lawsuit for a total settlement totaling \$240,000. Of that amount, \$170,000 was paid in 2024 and the remaining \$70,000 to be paid in \$10,000 monthly installments. While this specific lawsuit is resolved, the Company could, from time to time, be involved in litigation proceedings arising out of its normal course of business.

### **14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 18, 2025, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**World of Sourdough Franchising, LLC**

**Independent Auditor's Report  
And  
Financial Statements  
December 31, 2023 and 2022**

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## **Metwally CPA PLLC**

### **CERTIFIED PUBLIC ACCOUNTANT**

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

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## **Independent Auditor's Report**

To the Members of  
World of Sourdough Franchising, LLC

### **Opinion**

We have audited the accompanying financial statements of World of Sourdough Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World of Sourdough Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of World of Sourdough Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World of Sourdough Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of World of Sourdough Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World of Sourdough Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Bedford, Texas  
April 3, 2024

**World of Sourdough Franchising, LLC**

**Balance Sheets**

**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 226,827	\$ 39,060
Accounts receivable	35,039	3,154
Due from related parties	135,681	24,357
Other assets	4,871	6,495
<b>Total Current Assets</b>	<b>402,418</b>	<b>73,066</b>
<b>Non-Current Assets</b>		
Intangible assets, net	1,828,380	-
Property and equipment, net	1,331	1,122
Operating lease right-of-use assets	545,960	-
<b>Total Non-Current Assets</b>	<b>2,375,671</b>	<b>1,122</b>
<b>Total Assets</b>	<b>\$ 2,778,089</b>	<b>\$ 74,188</b>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 104,478	\$ 10,208
Due to related parties	45,721	-
Deferred revenue - current portion	132,250	55,900
Notes payables - current portion	216,000	-
Operating lease liability - current portion	117,673	-
<b>Total Current Liabilities</b>	<b>616,122</b>	<b>66,108</b>
<b>Non-Current Liabilities</b>		
Deferred revenue - net of current portion	967,100	412,200
Operating lease liability - net of current portion	442,167	-
Notes payables - net of current portion	1,101,946	-
Other liabilities	40,000	-
<b>Total Non-Current Liabilities</b>	<b>2,551,213</b>	<b>412,200</b>
<b>Total Liabilities</b>	<b>3,167,335</b>	<b>478,308</b>
<b>Members' Equity (Deficit)</b>		
Members' equity (deficit)	(389,246)	(404,120)
<b>Members' Equity (Deficit)</b>	<b>(389,246)</b>	<b>(404,120)</b>
<b>Total Liabilities and Members' Equity (Deficit)</b>	<b>\$ 2,778,089</b>	<b>\$ 74,188</b>

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Statements of Operations**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Initial franchise fees	\$ 132,250	\$ 55,900
Royalties	1,713,242	54,422
Royalties - related party	6,262	5,600
Rebate income	40,286	7,623
Other income	42,844	1,012
<b>Total Revenue</b>	<b>1,934,884</b>	<b>124,557</b>
<b>Operating Expenses</b>		
Wages and salaries	331,112	43,625
Advertising and marketing	160,197	6,776
Legal and professional fees	74,122	37,103
Depreciation and amortization	70,148	561
Rent	104,352	29,537
Licensing referral fees	318,412	-
General and administrative	594,637	134,171
<b>Total Operating Expenses</b>	<b>1,652,980</b>	<b>251,772</b>
<b>Net Income (Loss)</b>	<b>\$ 281,904</b>	<b>\$ (127,215)</b>

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Statements of Members' Equity (Deficit)**  
**Years Ended December 31, 2023 and 2022**

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<b>Members' Equity (Deficit) At December 31, 2021</b>	<b><u>\$ (182,044)</u></b>
Members' distributions	(94,861)
Net income (loss)	(127,215)
<b>Members' Equity (Deficit) At December 31, 2022</b>	<b><u>\$ (404,120)</u></b>
Members' contributions	451,166
Members' distributions	(718,195)
Net income (loss)	281,904
<b>Members' Equity (Deficit) At December 31, 2023</b>	<b><u>\$ (389,246)</u></b>

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Net income / (loss)	\$ 281,904	\$ (127,215)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	70,148	561
Amortization of operating lease right-of-use assets	13,880	-
<b>Change in assets and liabilities</b>		
Accounts receivable	(31,886)	(2,904)
Due from related parties	(111,324)	(24,357)
Other assets	1,624	(6,496)
Accounts payable and accrued liabilities	94,270	7,728
Due to related parties	45,721	
Deferred revenue	631,250	153,100
Other liabilities	40,000	-
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b><u>1,035,587</u></b>	<b><u>419</u></b>
<b>Cash Flows From Investing Activities</b>		
Business acquisition	(400,000)	-
Purchase of fixed assets	(791)	(325)
<b>Net Cash Flows Provided By (Used In) Investing Activities</b>	<b><u>(400,791)</u></b>	<b><u>(325)</u></b>
<b>Cash Flows From Financing Activities</b>		
Payment to notes payable	(180,000)	-
Members' contributions	451,166	-
Members' distributions	(718,195)	(94,861)
<b>Net Cash Flows Provided By (Used In) Financing Activities</b>	<b><u>(447,029)</u></b>	<b><u>(94,861)</u></b>
<b>Net Change In Cash And Cash Equivalent During The Year</b>	<b><u>187,767</u></b>	<b><u>(94,767)</u></b>
Cash - beginning of the year	39,060	133,828
<b>Cash And Cash Equivalent - End of The Year</b>	<b><u>\$ 226,827</u></b>	<b><u>\$ 39,060</u></b>
<b>Supplemental Cash Flow Information</b>		
Note in exchange for stores acquisition	(1,317,946)	

*The accompanying notes are an integral part of the financial statements.*

**World of Sourdough Franchising, LLC**  
**Notes To Financial Statements**  
**December 31, 2023 and 2022**

**1. COMPANY AND NATURE OF OPERATIONS**

World of Sourdough Franchising, LLC (“The Company”) is a Texas limited liability franchise Company that was formed in 2021, under the laws of the State of Texas for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own business. The Company provides the qualified individuals the right to operate a restaurant that offers a variety of handcrafted sandwiches and other products, under the mark “World of Sourdough,” “WOSD” and other related trademarks.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

**C. Accounts Receivable**

Accounts Receivable arise primarily from Royalty income and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. At the time any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. There is no valuation allowance recorded as of December 31, 2023 and 2022, as management believes all balances are collectible.

**D. Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line method over the estimated useful lives of the assets with ranges from 3 to 5 years.

**E. Federal Income Taxes**

As a limited liability Company, the Company’s taxable income or loss is allocated to members in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

## **F. Lease**

Effective January 1, 2023, the Company adopted, with modified retrospective application, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)" (ASC 842). The amended guidance requires lessees, at the commencement date, to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and to record a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB issued ASU 2018-11, Leases, Targeted Improvements, which gave companies the option of applying the new standard at the adoption date, rather than retrospectively to the earliest period presented in the financial statements. The Company elected the package of practical expedients permitted under the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company also elected the practical expedient to not recognize a lease liability and ROU asset for short-term leases less than 12 months. The Company chose the option to apply the new standard at the adoption date, and therefore we are not required to restate the financial statements for prior periods, nor are the Company required to provide the disclosures required by the new standard for prior periods. Upon adoption, the Company recognized an approximate \$650,313 ROU asset, and an approximate \$650,313 lease liability. The adoption of the new standard did not impact on the cash flows or have a material impact on the results of operations. The Company has expanded the financial statement disclosures to comply with the requirements of the new standard.

## **G. Intangible Assets**

In accordance with Financial Standards Accounting Board ("FASB") Accounting Standards Codification ("ASC") 805, Business Combinations, the Company accounts for finite-lived intangibles at fair value upon acquisition and amortizes this intangible asset on a straight-line basis over the life of the asset. The Company's acquired intangible assets were made in conjunction with the Sourdough & Co. restaurants acquisition in 2023 which the Company converted to franchisees. The useful lives of these assets are as follows:

Franchise contracts	20 years
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The tradename associated with the acquisition is not subject to amortization. The trade name has an indefinite life, is recorded at cost, is not amortized, and is tested for impairment annually, or more frequently should events or changes in circumstances indicate that it might be impaired.

## **H. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

## **I. Use of Estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

## **J. Debt**

The Company accounts for debt as current if the debt is due within one year of the balance sheet date or is cancelable or callable. The Company accounts for debt as noncurrent if the obligation does not expire or is due within one year.

## **K. Revenue Recognition**

The Company relies upon ASC 606, Revenue from Contracts with Customers, to recognize revenue, contract liabilities-deposits from franchisees and contract assets-due from franchisees. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive for those goods or services. The following is the principal activity from which the Company earns revenue:

### Franchise Revenues

The franchise arrangement between the Company and each franchise owner of the Company's Franchise is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Company's Franchise brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation, which is the transfer of the franchise license. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; and (b) IT fees; (c) annual conference fees. The Company considers the franchise license to be a single performance obligation, and therefore, recognized over the term of the franchise agreement or renewal which is typically 10 years.

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a weekly royalties fee. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources:

- Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years. The Company has determined that these fees, which are paid in advance of when they are recognized as revenue, do not contain a significant financing component.
- Royalty fees and other revenues are reported as earned.

### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

### Gross Sales Rebates

The Company receives vendor rebates primarily from products sales. These rebates are generally covered by binding agreements, which are signed agreements between various vendors and the Company. Under ASC 606, the Company's performance obligation for vendor rebates is satisfied upon the sale or usage of a vendor's product through the Company's franchisees. As such, revenue is recorded upon receipt of franchisee sales information from the vendor.

### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

### **L. Advertising and Marketing**

Advertising and marketing costs are charged to operations in the year incurred.

### **M. Reclassifications**

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. There were no changes to previously reported members' equity or net income as a result of the reclassifications.

### **N. Recent Accounting Pronouncements**

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments. ASU 2016-13, along with subsequent clarifications and improvements (collectively, ASC 326), replaces the incurred loss impairment methodology in prior U.S. GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. ASC 326 requires that the Company measure and recognize expected credit losses at the time the asset is recorded, while considering a broader range of information to estimate credit losses including country specific macroeconomic conditions that correlate with historical loss experience, delinquency trends and aging behavior of receivables, among others. ASC 326 is effective for the Company beginning May 1, 2023. There was no impact on the Company's financial statements as a result of the implementation of this standard.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements. See Note 13.

## **3. CASH AND CASH EQUIVALENTS**

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2023 and 2022 the Company's cash balance did not exceed the FDIC insurance limit.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. As of December 31, 2023 and 2022, the Company had approximately \$226,827 and \$39,060 respectively in cash in its bank accounts.

The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash.

#### 4. ACCOUNTS RECEIVABLE

At the years ended December 31, 2023 and 2022, accounts receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Royalties receivable	\$ 35,039	\$ 3,154

#### 5. RELATED PARTY TRANSACTIONS

The Company has common ownership with Trademark Pizza Company, LLC, Folsom Iron Point (a Corporate store) and Via Linda. As of December 31, 2023 and 2022, the Company has balances due from and to related parties. The Company collects royalty revenue from Folsom Iron Point. The Company recognized \$6,262 and \$5,600 of royalty income from Folsom Iron Point for the years ended December 31, 2023 and 2022 respectively which is included in the statements of operations. Also, the Company has due from related party balance for operating expenses paid by the Company on behalf of the related party in the amount of \$135,681 and \$24,357.

On December 31, 2023 and 2022, The Company had due to related party in the amount of \$45,721 and \$0, respectively. These amounts represent expenses paid by the related party on behalf of this Company.

#### 6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 2,474	\$ 1,683
Less: accumulated depreciation	(1,143)	(561)
<b>Property and Equipment, net</b>	<b>\$ 1,331</b>	<b>\$ 1,122</b>

Depreciation expenses for the years ended December 31, 2023 and 2022 were \$583 and \$561, respectively.

#### 7. ACQUISITIONS

On February 16, 2023, the Company acquired 20 Sourdough & Co restaurants for a total consideration of \$2,128,000 and converted them into franchises. The acquisition was accounted for as a business combination under ASC 805. The Company paid \$400,000 in cash and signed a \$1,728,000 promissory note which will be paid in monthly installments of \$18,000 each. During 2023, 2 stores were not converted to franchises; and therefore, the Company subtracted \$115,027 for each store from the amount owed as stipulated in the acquisition agreement. The Company recorded identifiable intangible assets net of unconverted stores of \$1,897,946 in connection with the acquisition. The assets acquired and liabilities assumed consisted of an immaterial amount of fixed assets and accrued expenses. The Company determined that the acquisition was accounted for as a business combination under ASC 805, and the fair value of the assets and liabilities acquired was determined in accordance with the provisions of ASC 805. The Company recognized the assets and liabilities acquired at their estimated fair values as of the acquisition date.

## 8. INTANGIBLE ASSETS

Trademarks have an indefinite useful life and therefore is not amortized. Trademarks are not amortized but are tested annually for impairment or more frequently if indicators of potential impairment exist. Franchise agreements are amortized over the franchise term which is typically 20 years. As of December 31, 2023, there was no impairment identified for trademarks.

Intangible assets with an indefinite life consisted of the following:

	<u>2023</u>	<u>2022</u>
Trademarks	\$ 228,360	\$ -
	<u>\$ 228,360</u>	<u>\$ -</u>

Intangible assets with a definite life consisted of the following:

	Amortization Period (Years)	<u>December 31, 2023</u>		
		Gross Amount	Accumulated Amortization	Net Amount
Franchise Agreements	20	\$ 1,669,586	\$ (69,566)	\$ 1,600,020
		<u>\$ 1,669,586</u>	<u>\$ (69,566)</u>	<u>\$ 1,600,020</u>

Amortization expense as of December 31, 2023, was \$69,566 and is included in operating expenses on the accompanying statements of operations.

The estimated amortization expense of the franchise agreements for each year is as follows:

	<b>Years ending December 31,</b>
FY 2024	\$ 83,479
FY 2025	83,479
FY 2026	83,479
FY 2027	83,479
FY 2028	83,479
Thereafter	1,182,623
<b>Total future amortization expense</b>	<u><b>\$ 1,600,020</b></u>

The remaining useful life for franchise agreements was approximately 19 years as of December 31, 2023

## 9. COMMITMENTS AND CONTINGENCIES

### **GUARANTEES**

The Company guarantees a lease agreement on behalf of one of its franchisees. The lease agreement requires the franchisee to make a monthly payment of \$5,487 and the lease will expire on 2032. The maximum amount of future rent that could be required to be paid under the guarantee is the monthly rent amount till the Company sublease the building. During 2023, the Company received \$40,000 from its franchisee under this commitment. In accordance with accounting principles generally accepted in the United States of America, no amount has been accrued in the accompanying financial statements for the guarantees except for the \$40,000 received from its franchisee.

### **LITIGATION**

The Company currently has no lawsuits, actions, or other legal proceedings pending claims that would have a material impact on the financial statements. However, the Company could, from time to time, be involved in litigation proceedings arising out of its normal course of business.

## 10. NOTES PAYABLE

In 2023, the Company entered into a note payable agreement with the former owner of Sourdough & CO in conjunction with the acquisition of the Sourdough & CO 20 restaurants, in the amount of \$1,897,945. The note does not bear interest and mature in 2030. Due to the immateriality of any such amounts, management has not imputed interest on this note. As of December 31, 2023, the note's outstanding balance was \$216,000 due in the next 12 months and \$1,101,945 due thereafter, totaling \$1,317,946. The Company is obligated to make a monthly installment of \$18,000 for the remaining term of the note minus any credit given for uncovered stores.

Principal payments of the Note balance are due as follows:

	<b>Years ending December 31,</b>
FY 2024	\$ 216,000
FY 2025	216,000
FY 2026	216,000
FY 2027	216,000
FY 2028	216,000
Thereafter	237,946
<b>Total notes payable</b>	<b><u>\$ 1,317,946</u></b>

## 11. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized over time	\$ 132,250	\$ 55,900
Revenue recognized at a point in time	<u>1,802,634</u>	<u>68,657</u>
<b>Total Revenue</b>	<b><u>\$ 1,934,884</u></b>	<b><u>\$ 124,557</u></b>

### Contract Balances

The following table provides information about the change in the franchise contract liability balances during the years ended December 31, 2023 and 2022, respectively. Franchise contract liability is included in deferred revenue on the accompanying balance sheets.

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 468,100	\$ 315,000
Additional deferred revenue	763,500	209,000
Revenue recognized – additional deferred revenue	(132,250)	(55,900)
Deferred revenue	<u>1,099,350</u>	<u>468,100</u>
Less: current maturities	<u>(132,250)</u>	<u>(55,900)</u>
<b>Deferred Revenue, net of current maturities</b>	<b><u>\$ 967,100</u></b>	<b><u>\$ 412,200</u></b>

## 12. ADVERTISING EXPENSES

Advertising costs for the years ended December 31, 2023 and 2022 were \$160,197 and \$6,776, respectively. The costs were expensed as incurred.

## 13. LEASE

World of Sourdough Franchising, LLC leases consists of a shopping center located at Roseville, California. As part of the lease agreement, the Company is responsible for covering the costs associated with real estate taxes and other expenses related to the leased facilities.

Right-of-use lease assets and lease liabilities are recognized as of the commencement date based on the present value of the remaining lease payments over the lease term, that the Company is reasonably certain to exercise. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense is included within general and administrative expenses. Leases were as follows:

	<u>2023</u>	<u>2022</u>
<b>Operating lease expenses under ASC 842, Leases</b>		
Rent Expense	\$ 104,352	\$ -

The leases recorded on the balance sheet consist of the following:

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
ROU Assets	\$ 545,960	\$ -
<b>Liabilities</b>		
Lease liabilities, current portion	117,673	-
Lease liabilities, net of current portion	442,167	-
	<u>\$ 559,840</u>	<u>\$ -</u>

	<u>2023</u>	<u>2022</u>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 120,094	\$ -
<b>ROU assets obtained in exchange for lease liabilities in non-cash transactions:</b>		
Operating lease assets obtained in exchange for operating lease liabilities	\$ 104,352	\$ -
Discount rate (1)	5%	-

- The discount rate used for existing operating leases upon adoption of Topic 842 was established based on the risk-free rates treasury note 5 years term as of January 1, 2023, as the lease did not provide an implicit rate, the Company uses its risk-free rate.

Future lease obligations for leases that have commenced were as follows as of December 31:

	<b>Lease</b>
FY 2024	\$ 146,866
FY 2025	135,169
FY 2026	110,309
FY 2027	54,030
FY 2028	54,030
Thereafter	166,591
<b>Total Lease payment</b>	<u>666,994</u>
Less : Interest	<u>(107,154)</u>
<b>Present value of lease liabilities</b>	<u>\$ 559,840</u>

As of December 31, 2023, the term and discount rate for the Company's leases were from 3 - 9 years and 5%, respectively.

#### **14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 03, 2024, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**World of Sourdough Franchising, LLC**

**Independent Auditor's Report  
And  
Financial Statements  
December 31, 2022 and 2021**

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## **Metwally CPA PLLC**

### **CERTIFIED PUBLIC ACCOUNTANT**

4500 Mercantile Plaza Dr STE 300, Fort Worth TX 76137

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

## **Independent Auditor's Report**

To the Members of  
World of Sourdough Franchising, LLC  
4950 FM 1463,  
Katy, TX 78494

### **Opinion**

We have audited the accompanying financial statements of World of Sourdough Franchising, LLC (a Texas limited liability Company), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World of Sourdough Franchising, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of World of Sourdough Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World of Sourdough Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of World of Sourdough Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World of Sourdough Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Fort Worth, Texas  
February 2, 2023

**World of Sourdough Franchising, LLC**

**Balance Sheets**

**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 39,060	\$ 133,828
Accounts receivable	3,154	250
Due from related parties	24,357	-
Other assets	6,495	-
<b>Total Current Assets</b>	<u>73,067</u>	<u>134,078</u>
<b>Non Current Assets</b>		
Property, plant and equipment, net	1,122	1,358
<b>Total Non Current Assets</b>	<u>1,122</u>	<u>1,358</u>
<b>Total Assets</b>	<u>\$ 74,188</u>	<u>\$ 135,436</u>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 10,208	\$ 2,480
Deferred revenue - current portion	55,900	35,000
<b>Total Current Liabilities</b>	<u>66,108</u>	<u>37,480</u>
<b>Long Term Liabilities</b>		
Deferred revenue - net of current portion	412,200	280,000
<b>Total Long Term Liabilities</b>	<u>412,200</u>	<u>280,000</u>
<b>Total Liabilities</b>	<u>478,308</u>	<u>317,480</u>
<b>Members' Equity (Deficit)</b>		
Members' equity (deficit)	(404,120)	(182,044)
<b>Total Members' Equity (Deficit)</b>	<u>(404,120)</u>	<u>(182,044)</u>
<b>Total Liabilities and Members' Equity (Deficit)</b>	<u>\$ 74,188</u>	<u>\$ 135,436</u>

**World of Sourdough Franchising, LLC**  
**Statements Of Operations**  
**Years Ended December 31, 2022 and 2021**

	<u>202</u>	<u>2021</u>
<b>Revenues</b>		
Initial franchise fees	\$ 55,900	\$ 35,000
Royalties	54,422	-
Royalty, related-party	5,600	-
Advertising income	1,012	-
Rebate income	7,623	-
<b>Total Revenues</b>	<b><u>124,557</u></b>	<b><u>35,000</u></b>
<b>Operating Expenses</b>		
General and administrative	40,954	24,472
Equipment expense	12,516	-
Payroll	43,625	-
Advertising and promotion	6,776	1,376
Donations	16,500	1,500
Professional fees	37,103	8,948
Meals and entertainment	11,718	9,408
Travel expense	39,983	48,073
Rent	29,537	800
Depreciation	561	-
Referral expenses	12,500	-
<b>Total Operating Expenses</b>	<b><u>251,772</u></b>	<b><u>94,576</u></b>
<b>Operating Income / (Loss)</b>	<b><u>(127,215)</u></b>	<b><u>(59,576)</u></b>
<b>Net Income / (Loss)</b>	<b><u>\$ (127,215)</u></b>	<b><u>\$ (59,576)</u></b>

**World of Sourdough Franchising, LLC**  
**Statements Of Members' Equity (Deficit)**  
**Years Ended December 31, 2022 and 2021**

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<b>Members' Equity At December 31, 2020</b>	<u>\$ -</u>
Members' contributions	25
Members' distributions	(122,493)
Net income / (loss)	<u>(59,576)</u>
<b>Members' Equity (Deficit) At December 31, 2021</b>	<u><b>(182,044)</b></u>
Members' contributions	-
Members' distributions	(94,861)
Net income / (loss)	<u>(127,215)</u>
<b>Members' Equity (Deficit) At December 31, 2022</b>	<u><b>\$ (404,120)</b></u>

**World of Sourdough Franchising, LLC**  
**Statements Of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Net income / (loss)	\$ (127,215)	\$ (59,576)
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation expense	561	-
<b>Change in operating activities</b>		
Change in accounts receivable	(2,904)	(250)
Change in due from related parties	(24,357)	-
Change in other assets	(6,496)	-
Change in accounts payable and accrued liabilities	7,728	2,480
Change in deferred revenue - current portion	20,900	35,000
Change in deferred revenue - net of current portion	132,200	280,000
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>418</u>	<u>257,654</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of fixed assets	(325)	(1,358)
<b>Net Cash Flows Provided By (Used In) Investing Activities</b>	<u>(325)</u>	<u>(1,358)</u>
<b>Cash Flows From Financing Activities</b>		
Members' contributions	-	25
Members' distributions	(94,861)	(122,493)
<b>Net Cash Flows Provided By (Used In) Financing Activities</b>	<u>(94,861)</u>	<u>(122,468)</u>
<b>Net Change In Cash And Cash Equivalent During The Year</b>	<u>(94,768)</u>	<u>133,828</u>
Cash and cash equivalents - beginning of the year	133,828	-
<b>Cash And Cash Equivalent - End of The Year</b>	<u>\$ 39,060</u>	<u>\$ 133,828</u>

**World of Sourdough Franchising, LLC**  
**December 31, 2022, and 2021**  
**Notes To Financial Statements**

**1. COMPANY AND NATURE OF OPERATIONS**

World of Sourdough Franchising, LLC (“The Company”) is a Texas limited liability franchise Company that was formed in 2021, under the laws of the State of Texas for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own business. The Company’s concept is a restaurant which sells sandwiches, soups, and salads.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposit with maturities of three months or less to be cash equivalents.

**C. Accounts Receivable**

Accounts Receivable arise primarily from notes receivable, Franchise Fee income, and Royalty income and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. At the time any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. There is no valuation allowance recorded as of December 31, 2022, as management believes all balances are collectable.

**D. Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line method over the estimated useful lives of the assets with ranges from 3 to 5 years.

**E. Brand Development Fund**

The Company collects funds from franchisees to manage the brand level advertising, marketing and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

## **F. Federal Income Taxes**

Federal income taxes are not payable by, or provided for, the Partnership. Partners are taxed individually on their share of Partnership earnings. Partnership's net revenue is allocated on a pro-rata basis in accordance with Partnership interests to the partners after allowing for partner guaranteed payments.

## **G. Use of Estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, and legal estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

## **H. Revenue Recognition**

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) marketing, brand development and royalties fees and (c) IT fees; (d) annual conference fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening

services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

#### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

#### **I. Advertising and Marketing**

Advertising and marketing costs are charged to operations in the year incurred.

#### **J. Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02 Leases, which requires lessees to recognize on the balance sheet certain operating and financing lease liabilities and corresponding right-of-use assets that have lease terms of greater than 12 months. This topic retains the distinction between finance leases and operating leases. The ASU is effective on a modified retrospective approach for annual periods beginning after December 15, 2021, with early adoption permitted. Entities are permitted to adopt this guidance either prospectively or retrospectively. The Company is currently in the process of evaluating the impact of the adoption of this ASU on its financial statements and has not yet selected a transition method. The Company doesn't have any long-term lease.

### **3. CASH AND CASH EQUIVALENTS**

The Company maintains cash and cash equivalents with major financial institutions. The account is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. On December 31, 2022 and 2021, the Company's cash balance doesn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents.

For the years ended December 31, 2022 and 2021, the Company had approximately \$39,060 and \$133,828 in cash in its operating bank account respectively.

#### 4. ACCOUNTS RECEIVABLES

At the years ended December 31, 2022 and 2021, Accounts Receivables consist of the following:

	2022	2021
Royalties	\$3,154	\$250

#### 5. RELATED PARTIES TRANSACTIONS

The Company has common ownership with Trademark Pizza Company, LLC and Folsom Iron Point (a Corporate store). As of December 31, 2022, the Company has balances due from related parties. The Company collects royalty revenue from Folsom Iron Point. The Company recognized \$5,600 of royalty income from Folsom Iron Point for the year ended December 31, 2022 which is included in the statements of operations. Also, the Company has expenses paid by the related party on behalf of the Company in the amount of \$9,357.

Related-Party Receivable: The related-party receivable is unsecured, interest free and repayable on demand. The related-party receivable at any point in time generally consists of any combination of receivables from royalty and advertising fees, receivables from allocation of shared management and administrative functions for which the Company bills and is reimbursed, royalty receivables from sales at Folsom Iron Point for which cash has not yet been remitted to the Company. Amounts outstanding at December 31, 2022 royalties receivable included within the related-party receivable totaled \$15,000.

#### 6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consist of the following:

	2022	2021
Furniture and others	\$1,683	\$1,358
	<u>1,683</u>	<u>1,358</u>
Less accumulated depreciation	(561)	-
	<u>\$1,122</u>	<u>\$1,358</u>

Depreciation expenses for the years ended December 31, 2022 and 2021 were \$561 and \$0 respectively. The Company started depreciation of property and equipment starting from January 01, 2022 as the additions of the prior year were at the end of the year 2021.

#### 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU 2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

### **Franchise Fees**

The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year. The second which is, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. For the years ended December 31, 2022 and 2021, initial franchise fees received were \$209,000 and \$350,000, respectively, with \$0 earned as pre-opening services, \$468,100 earned where the performance obligation is satisfied over time, and \$55,900 recognized as initial franchise fees.

### **Variable Considerations**

Franchise agreements contain variable considerations in the form of royalty fees of 10% on franchisee gross sales. These fees are based on the franchisee's weekly sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. In the years ended December 31, 2022 and 2021, an amount of \$54,422 and \$0, respectively were recognized as Royalty income and an amount of \$1,012 and \$7,623 was recognized as Advertising and Rebates income respectively.

### **Contracts Assets and Liabilities Balances**

Deferred expenses consist of franchise contract costs paid to facilitate the franchise sale and will be amortized over the expected life of the franchisee. In 2022, no amount of commissions expenses was recognized.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed. In 2022, \$468,100 of franchise fees collected were deferred over the life of the franchise agreement of 10 years from the effective date, the Company has recognized \$55,900 as a current portion of contract liabilities as it will be due within the next twelve months, and \$412,200 as a long-term portion of contract liabilities.

## **8. ADVERTISING EXPENSES**

Advertising costs for the years ended December 31, 2022 and 2021, were \$6,776 and \$1,376 respectively.

## **9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 2, 2023, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT H:**

**FRANCHISEE DISCLOSURE AND COMPLIANCE QUESTIONNAIRE**

FRANCHISEE DISCLOSURE AND COMPLIANCE QUESTIONNAIRE FOR  
FRANCHISE AGREEMENT

As you know, World of Sourdough Franchising, LLC and you are preparing to enter into a Franchise Agreement for the operation of a World of Sourdough Franchised Restaurant. In this *Franchisee Disclosure and Compliance Questionnaire*, World of Sourdough Franchising, LLC will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate, or misleading. It is also used to ensure compliance with the various state laws and regulations that may govern our transaction. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_ Your Initials \_\_\_\_\_

2. Do you understand all the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_ Your Initials \_\_\_\_\_

If "No," what parts of the Franchise Agreement do you not understand?  
(Attach additional pages, if necessary)

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3. Have you received and personally reviewed the Disclosure Document we provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_ Your Initials \_\_\_\_\_

4. Do you understand all the information contained in the Disclosure Document?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

If "No," what parts of the Disclosure Document do you not understand?  
(Attach additional pages, if necessary)

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5. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant, or other professional advisor and/or do you understand the risks?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

6. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchised Business operated by us or our franchisees?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

8. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchised Business?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchised Business will generate?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

10. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

12. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_ No \_\_\_\_ Your Initials \_\_\_\_\_

13. If you have answered "Yes" to any of questions 7 through 13, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

If you have answered "No" to all of questions 7 through 13, please leave the following lines blank.

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14. Do you understand that in all dealings with you, our officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

\_\_\_\_\_

Yes \_\_\_\_\_ No \_\_\_\_\_ Your Initials \_\_\_\_\_

You understand that your answers are important to us and we will rely on them. By signing this Questionnaire, you, on behalf of yourself (and your franchise entity), are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
Signature (individually and on behalf of franchise entity)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

## WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT

### EXHIBIT I:

#### STATE EFFECTIVE DATES

The following states have franchise laws that require the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below.

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**WORLD OF SOURDOUGH FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT J:**

**RECEIPTS**

**RECEIPTS**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit "A."

World of Sourdough Franchising, LLC’s Franchise Sellers are: Jatinder (Nick) Singh, Songye Qin, and David Bagley; 8700 Auburn Folsom Rd., Suite 700, Granite Bay, California 95746, (916) 509-2495; Steve Presson; 4547 Carmen Dr., El Dorado Hills, California 95762 Franchise Fastlane Brokers: Jake Hamburger, Jen Lauer, Savannah Showalter, Katie Randall, Hannah Miller, Cassandra Gordon, and Amie Hawk with an address of 14301 FNB Pkwy, Suite 312, Omaha, NE 68154 (531) 333-3278.

Issuance Date: February 18, 2025.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated February 18, 2025. This disclosure document is included in the following exhibits:

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement and Exhibits
- C. General Release (Sample Form)
- D. Additional State Required Disclosures
- E. Table of Contents of Operating Manual
- F. List of Current Franchisees & Franchisees Who Have Left the System
- G. Audited Financial Statements – Fiscal Year 2024
- H. Franchisee Disclosure and Compliance Questionnaire
- I. State Effective Dates
- J. Receipts

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee (Signature)

\_\_\_\_\_  
(Print Name)

Email: \_\_\_\_\_

\_\_\_\_\_  
(Telephone Number)

Please sign a copy of this receipt, date your signature, and return it to Jatinder (“Nick”) Singh, World of Sourdough Franchising, LLC, 8700 Auburn Folsom Rd., Suite 700, Granite Bay, California 95746, Tel: (916) 509-2495.

**THIS SIGNED FORM REMAINS WITH THE FRANCHISE APPLICANT**

**RECEIPTS**

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- I. State Effective Dates
- J. Receipts

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee (Signature)

Email: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Telephone Number)

**Mail to:** Jatinder ("Nick") Singh, World of Sourdough Franchising, LLC, 8700 Auburn Folsom Rd., Suite 700, Granite Bay, California 95746, Telephone: (916) 509-2495.

**RETURN THIS SIGNED FORM TO THE FRANCHISOR.**